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PROPOSED REAUTHORIZATION OF THE URBAN MASS TRANSIT ACT

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND URBAN AFFAIRS

OF THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

ON

THE TROUBLESOME ASPECTS OF: (1) FUNDING THE MASS TRANSIT PROGRAM OUT OF THE HIGHWAY TRUST FUND; (2) MAINTAINING THE DEMANDS IMPOSED BY THE CLEAN AIR ACT; (3) MATCHING RATIOS BETWEEN STATES AND LOCAL GOVERNMENTS FOR ACCESS TO FEDERAL FUNDS; AND (4) PREVENTING LARGE CITIES FROM USING SECTION 9 FUNDS FOR OPERATING COSTS OF TRANSIT SYSTEMS

MARCH 15, APRIL 17, 18, AND 24, 1991

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PROPOSED REAUTHORIZATION OF THE URBAN MASS TRANSIT ACT

FRIDAY, MARCH 15, 1991

U.S. Senate,
Committee on Banking, Housing, and Urban Affairs,
Subcommittee on Housing and Urban Affairs,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD-538 of the Dirksen Senate Office Building, Senator Alan Cranston (chairman of the subcommittee) presiding.

OPENING STATEMENT OF SENATOR CRANSTON

Senator **Cranston**. The hearing will please come to order.

I welcome all of you to today's hearing.

It is a true step in the Senate Housing Subcommittee's effort to shape a new public transportation act.

I believe that this year, we are being given an historic opportunity to recommit this country to improved public transportation.

The need is greater than ever.

Our economic competitiveness is being hurt by increasing congestion of our urban roadways, while over 11 percent of all labor force work hours are spent sitting in traffic.

Our national health is being hurt by increasing air pollution, while over half of all Americans live in areas that fail to meet minimum air quality standards.

And transportation is the dominant cause of that pollution.

Our national security is being weakened by overreliance on foreign oil, while shortsighted transportation policies account for over 60 percent of all U.S. oil consumption.

In coming decades, we will have to move goods and people far more efficiently than we do now, especially in our urban areas.

The answer simply can no longer be, just to build more roads.

A large part of the answer to all these problems must be improved public transit.

This transportation bill comes at an opportune time.

Completion of the interstate highway system is, at long last, in sight.

That enormous achievement has taken 35 years and $114 billion in Federal spending.

It has produced a vital national asset.

The transportation bill should maintain that asset, and move on to improve mass transit.

Enactment of the Clean Air Act makes it much tougher to build highways in congested metropolitan areas and create stronger incentives to expand mass transit service.

Conditions that led Congress to act on clean air have made this committee and the Senate Environment and Public Works Committee especially aware of the urgent need for less polluting forms of transportation.

I will press for a mass transit bill that captures this moment.

I want a bill that will enable the country to take a giant step toward a truly advanced integrated transportation system; one that cuts air pollution, conserves fuel, and clears roadway congestion.

This subcommittee will develop the transit bill on a fully bipartisan basis.

I expect to continue the close working relationship with the ranking Republican on this subcommittee, my colleague, Al D'Amato, and I, were able to maintain throughout our work on the National Affordable Housing Act.

We will seek the broadest possible participation by mass transit operators, and others, who understand the need for an improved mass transit.

In recent months, field hearings have been held in San Francisco, Los Angeles, and Miami.

Wednesday, the subcommittee held a daylong symposium on public transportation that included transit leaders from across the country.

Two additional hearings have been scheduled in April.

Senators and Senate staff have spent many hours in discussions with transit experts on the many details of the legislation now before the subcommittee.

This broad consultation will expand and intensify in the weeks ahead.

We will develop the legislation in close consultation with the administration.

I am pleased that the Department of Transportation is giving new attention to mass transit, under the leadership of Mr. Clymer.

The administration's legislative package for transit is a marked improvement over the antitransit schemes that regularly issued from the Reagan administration.

I'm pleased to announce that Senator D'Amato and I will introduce the administration's transit legislation, by request, early next week.

I assure you that this subcommittee will give the administration's proposals the full, careful, and cooperative review that they deserve.

Based on my initial review, I find many ideas that are promising, although I must admit that I am troubled by some elements of the administration's proposals.

I believe the administration is unwise to propose a withdrawal of Federal operating assistance for transit systems, particularly for large systems.

This is especially hard to justify when so many of our States' and cities' transit systems are under intense fiscal stress.

I believe the administration's funding levels are inadequate to meet the national goals for serving persons with disability, cleaning our air, clearing our congested streets, and reducing our dependence on foreign oil.

I'm troubled that the administration proposes a dangerous funding strategy for mass transit, that would deplete the transit account in 5 or 6 years, and then force a future Congress to scramble for new funding sources to avoid deep cuts in transit assistance.

And I find that the administration's proposal is incomprehensibly biased toward old ideas of just building more highways.

We'll have an opportunity to explore these issues in our hearing, this morning.

I'm sure that members of the subcommittee and the administration can develop a bill that will avoid these pitfalls.

A good transit bill will have to meet tough standards.

First, it will have to meet differing needs of mass transit systems across the country.

The bill will have to make it much easier to build new transit facilities where they are needed.

It will have to help mature transit systems operate, modernize, and extend their facilities.

And it will have to support modern bus and paratransit service.

The new transit bill will have to address the needs not only of large urban areas, but also smaller cities, suburbs and rural areas.

Second, the bill will have to give each metropolitan area significantly more authority to choose the best way to improve mobility within their region.

Metropolitan areas should be able to develop a long-term transportation strategy that integrates all of the different modes of transportation.

And local leaders should be able to decide how Federal highway and transit funds will be used together to carry out that strategy.

Third, the bill will have to create a truly level playing field for local choices among transportation projects.

The bill should remove any Federal bias against local choice of the most efficient long-term use of transportation resources, whether that be roadways or mass transit.

Fourth, the bill should provide for predictable funding for mass transit operators, so that they can finance and implement capital projects more quickly and cheaply.

Both the advanced construction contract and full funding grant agreement mechanisms should be made more useful.

Fifth, the bill should provide for adequate public transit funding over the long term.

We have to take the long view, and provide reliable funding sources for Federal transit assistance, including full adjustments for inflation, at the very least.

Certainly, new revenues coming into the transit account should be put to use to improve transit.

We are fortunate to have an outstanding group of witnesses this morning, to help us develop the farsighted transit bill that the country so urgently needs.

No one is better able to present the administration's transit proposals than President Bush's choice for UMTA Administrator, Brian Clymer.

Brian Clymer is bringing a renewed level of commitment and energy to his high office.

I commend you, Brian, for what you've been able to accomplish already, and I offer you my sincere cooperation, as you seek to achieve much more.

I thank you especially for the assistance that members of the subcommittee are receiving, as we work to understand the details and rationale of the administration's proposals.

I believe this kind of cooperation between Congress and the administration will enable us to bring an excellent transit bill to the President's desk.

Our second panel includes some of the country's leading transit practitioners.

The subcommittee values, most highly, the insights and suggestions that these executives have already offered.

I look forward, eagerly, to their testimony this morning, and answers to question.

The full written statements of each will be included in the hearing record.

We have much ground to cover this morning, so let's begin with the testimony

And, again, Mr. Clymer, we welcome you.

STATEMENT OF BRIAN W. CLYMER, ADMINISTRATOR, URBAN MASS TRANSPORTATION ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION

Mr. CLYMER. Thank you very much, Mr. Chairman.

It really is a pleasure to be here.

I am the Administrator of the Urban Mass Transportation Administration, an agency of the U.S. Department of Transportation.

And we're pleased to have the opportunity to appear before you today, to discuss the administration's proposed reauthorization of the transit program.

Mr. Chairman, with the reauthorization of the surface transportation programs this year, we face major challenges.

We look forward to working with you and the members of this committee to address the special needs of mass transportation in the 1990's.

In our view, this calls for a multimodal, flexible approach that builds upon a cooperative effort among the Federal, State, and local governments, and the private sector.

We must all work together to assure that transit services meet the goals of enhancing urban and rural mobility, and that existing transit facilities and equipment are well maintained and used effectively.

That new major transit investments are based on sound analyses of the costs and benefits of such systems.

And that funding flexibility by all levels of Government is increased.

We believe that our reauthorization proposal sets the stage for the 1990's by addressing each of these issues.

It would provide some $3.3 billion, annually, from the Mass Transit Account of the Highway Trust Fund, over the 5-year life of the bill.

I think it is important to emphasize, Mr. Chairman, that this amount is 45 percent above the administration's budget request for fiscal year 1991, 2 percent above the current fiscal year appropriation level, and a 23-percent increase over this year's capital funding levels.

Given the current deficit situation, and the constraints on Federal spending, we believe this funding level signals the importance the administration places on the transit program.

In short, we believe this is a significant legislative proposal that will address the needs of transit through 1996.

In particular, a 5-year authorization is important.

It will provide the needed stability and funding so that local and State officials can adequately plan and manage their programs.

Let me now, briefly, outline for you the key proposals in our bill.

I think it's important, at the outset, to note that, unlike the companion highway legislation, we're not proposing to restructure the existing statutory framework of our program.

Rather, we recommend a number of changes within the current program context.

The urbanized and rural area formula programs are well known to our recipients, deliver transit funds effectively, and need not be significantly changed.

We would, however, make two keys changes regarding the transit program's source of funding, and how those fundings would be delivered.

First, we propose to fund the UMTA program entirely from the Mass Transit Account of the Highway Trust Fund.

The Mass Transit Account currently has a genuine surplus, and is undercommitted.

The transit component of the Trust Fund can thus support the proposed program level, some $3.3 billion annually, or $16 billion over the 5-year life of the bill.

This funding level substantially will reduce the present uncommitted cash balance in the Mass Transit Account by fiscal year 1996.

We think this is a fiscally prudent way to maximize the use of the Trust Fund resources.

Moreover, this financing from the Trust Fund would benefit all of our grantees, unlike the current program, which primarily finances, from the Trust Fund, the discretionary program. The discretionary program currently benefits relatively few grantees.

Second, we propose to deliver much more of the overall transit program's funding by formula than is done under the existing program.

Currently, some 52 percent of the program is delivered by formula. In contrast, our bill would distribute some 82 percent of the program under the existing statutory formulas. This is done by transferring the discretionary rail modernization and bus system activities to the formula program.

We believe it's in the best interest of transit recipients to provide them with a stable and assured source of formula funding from the

Trust Fund, so that they may develop long range plans to address their transportation needs with some assurance that the Federal funds will be there.

Mr. Chairman, as you know, last year, President Bush and Secretary Skinner issued the National Transportation Policy, a report that provided the framework for our reauthorization proposal.

In preparing that policy, the Department held a series of hearings around the country.

And one issue we heard about often was the fact that Federal transportation funds come from discrete program sources, highway or transit, and may only be used for the purposes of those different programs.

This, we heard, failed to reflect the realities facing decisionmakers at the State and local level who deal with transportation issues, not just highway or transit issues.

Mr. Chairman, our bill would respond directly to those concerns by opening up portions of both the highway and transit programs to permit funding of either highway or transit projects, based upon decisions made at the local level.

Specifically, about $2.6 billion of the funds available under the transit title of the bill, and $4 to $5 billion of the funds available under the highway title, essentially the proposed highway urban and rural program, would be available for highway and transit projects at the discretion of State or local officials.

Whether or not a particular transportation issue should be implemented by means of a highway or transit project is a matter that can be best addressed at the local level.

Our bill, for the first time, would let localities make that decision.

And we believe that expanding rail transit lines or improving bus service could be as important for some urban areas as building more roads.

We recognize, of course, that given the high level of dedicated or tax funding at the State and local level for highway projects, this provision may inadvertently facilitate the funding of a greater proportion of highway projects than transit projects.

So to keep a level playing field, this provision could be used only so long as the State or local share source of the highway project to be funded with UMTA funds is available to fund either highway or transit projects, or when the Secretary determines there is a sufficient amount of dedicated funding available for transit projects.

We believe such a balanced local approach will assure an equitable distribution of funds.

Our bill would generally require a greater local share to match Federal funds, 40 percent in most cases.

As Secretary Skinner has often noted, we believe this increased financial participation plays an important role in determining not only the future of the program, but its integrity, as well, by ensuring that projects are developed on time and within budget.

Simply stated, we think that we get the best decisions at the local level when State and local areas have a greater financial commitment to a project.

Moreover, the experience of the 1980's is that States and localities have responded to the challenge and have significantly increased their funding of transit.

As I noted earlier, our bill would distribute 82 percent of its funding under our current formula program.

We think the existing statutory formula does an excellent job in delivering transit funds.

We would, however, propose to delete the so-called "incentive" tier of the formula.

In our experience, and in the experience of our grantees, this has been costly to calculate, and has not really satisfied its objective.

We would make one key new funding allocation under the formula program, however.

We would deliver rail modernization funds under the rail tier of the formula, some $600 million a year, as well as additional amounts to the rail cities through the allocation of the remaining formula funds.

We would deliver this resource to all rail cities, not just the older rail cities, as is done under the current discretionary program.

Because the funds would be distributed on a formula basis, each area would be better able to plan and use this resource.

Mr. Chairman, our bill no longer would permit areas over 1 million in population to use Federal funds for operating assistance.

Let me make two points about this.

First, this does not represent a reduction for these areas, because we have significantly increased the capital funding for all areas under the formula program, including areas over 1 million in population.

Second, these areas typically do not rely substantially on Federal operating assistance for their programs. For cities of this size, Federal operating assistance, collectively, represents only 4 percent of their total operating budget.

We believe the appropriate Federal role is in the area of capital funding of projects, to provide for the replacement and enhancement of fleets and facilities, and that the costs arising from labor and other operating expenses can and should be addressed at the local level.

At the same time, however, we do recognize that other areas rely on Federal operating assistance.

And our bill would essentially hold harmless all areas below 1 million in population to their 1991 operating assistance levels.

We would do this by expanding the current statutory definition of capital maintenance items to include materials and supplies, except fuel.

Areas under 1 million in population could use up to 25 percent of their 1992 apportionment or the 1991 operating assistance cap, whichever number is higher.

These areas would also be eligible to receive operating subsidies up to their 1991 cap, if eligible capital maintenance expenses fall short of the cap.

The Federal share for capital maintenance expenses and traditional capital costs would be 60 percent.

The Federal share for operating expenses would continue to be 50 percent.

Mr. Chairman, let me now turn to another significant element of our bill; the fact that we would provide some $300 to $400 million a year, over the life of the bill, to fund new start projects under our discretionary section 3 program.

Reflecting experience under the current program, where cities are overmatching Federal funds, we propose a Federal share of 50 percent for new starts projects.

The key point about our proposal is that we would fund only those new starts projects that are truly cost effective, and supported by an acceptable degree of local financial commitment.

Our bill includes language that would strengthen the new starts criteria under the current law, to emphasize and underline how critical we believe cost effectiveness should be.

We would also require any city that's considering a new start project to carefully consider a range of innovative financing proposals to help fund construction and operation of the project.

More and more areas are relying on innovative proposals to help defray the costs of the project.

In addition, $50 million would be made available for a range of discretionary projects under section 3, including the metropolitan and rural bonus projects program, which is under both the highway and the transit titles.

This program would fund noncapital intensive, innovative, and fast start projects designed to ease congestion or address special rural needs.

Under the bill, the same changes in the planning program are in both the highway and transit titles.

Transportation planning must include air quality considerations.

Metropolitan areas would be required to develop a congestion management system that provided for the effective management of new and existing transportation facilities through the use of travel demand reductions and operational management strategies.

In urbanized area planning, the bill would require consideration of long range land use plans, development objectives, and costs and impacts of the projects on both mobility and air quality.

Our section 18 rural program has played an important role in providing assistance for the mobility needs of those outside of our urban areas.

We recognize the great significance of this program and propose to increase the level of funding for this important mobility need.

Under current law, the program is funded at the $65 million level.

Our proposal would increase it to the $89 million level over each year of the life of the bill.

As with our other programs, we would raise the local share for capital projects under the program to 40 percent.

The States play an integral role in administering this vital program, and our bill would further expand and clarify the States' role in the section 18 program, the section 16 elderly and handicapped program, and the section 9 formula program for small urbanized areas.

Specifically, to provide needed flexibility in the allocation of funds among these programs, the States would decide how much of the Federal funding available, some $310 million a year, would be allocated under each of the programs.

Thus, if there were particular needs under the elderly and handicapped program in a given State, a State could direct additional funding to that program.

Let me turn now to another key element of our proposal.

We believe the transit research program needs to be strengthened.

As part of our reauthorization bill, we are proposing an expanded and coordinated transit planning and research program.

This new structure provides for an increase in emphasis and funding for research and development.

An amount equal to 2.8 percent of the total UMTA appropriation would be set aside, within the Mass Transit Account, to support this program.

In fiscal 1992, for example, this would represent just over $93 million.

In our view, the Federal Government must invest in research and planning to provide a more stable cost-effective environment that will stimulate increased private sector investments and economic growth.

The Transit Planning Program has two major elements: A national component and a State and local component.

The national program is proposed to advance Federal objectives, to help resolve problems of national concern, and to initiate a new emphasis on technology development.

The State and local programs will support existing planning activities as well as to implement a new transit cooperative research program designed to address the transit industry's short-term needs.

Our bill contains a number of other proposals.

For example, the highway title would affect the Buy America program.

While we extend the provisions of the current statutory program, the bill essentially would permit the President to waive Buy America requirements if another country, similarly, were to waive its domestic preference provisions.

We would also propose to give UMTA the authority to require workers of our grantees in safety positions to be subject to drug and alcohol testing.

Every other agency of the Department has a drug testing program, and we cannot ignore this critical safety issue in the transit industry.

Mr. Chairman, as the President said, in forwarding the highway/transit bill to Congress, this is the first step in the process.

We look forward to discussing this bill with you and your staff, as we work together.

We will make ourselves available over the coming months to make any information available to you.

That concludes my remarks, and I'll be happy to answer any questions.

[The complete prepared statement of Brian W. Clymer follows:]

STATEMENT OF BRIAN W. CLYMER
ADMINISTRATOR
URBAN MASS TRANSPORTATION ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS
OF THE
SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
ON
MARCH 15, 1991

Mr. Chairman, members of the Committee, my name is Brian W. Clymer. I am the Administrator of the Urban Mass Transportation Administration (UMTA), an agency of the United States Department of Transportation. We are pleased to have this opportunity to appear before you today to discuss the Administration's proposed reauthorization of the transit program.

OVERVIEW

Mr. Chairman, with the reauthorization of the surface transportation programs this year, we face major challenges. We look forward to working with you and the members of this Committee to address the special needs of mass transportation in the 1990s.

In our view, this calls for a multi-modal, flexible approach that builds upon a cooperative effort among the Federal, State, and local governments, and the private sector. We all must work together to assure that transit services meet the goals of enhancing urban and rural mobility, that existing transit facilities and equipment are well maintained and used effectively, that new major transit investments are based on sound analyses of the costs and benefits of such systems, and that funding flexibility by all levels of government is increased.

We believe that our reauthorization proposal sets the stage for the 1990s by addressing each of these issues. It would provide some $3.3 billion annually from the Mass Transit Account of the Highway Trust Fund over the five-year life of the bill. I think it is important to emphasize, Mr. Chairman, that this amount is 45 percent above the Administration's budget request for fiscal year 1991, 2 percent above the current fiscal year appropriation level, and a 23 percent increase over this year's capital funding levels.

Given the current deficit situation and the constraints on Federal spending, we believe this funding level signals the importance the Administration places on the transit program. In short, we believe this is a significant legislative proposal that will address the needs of transit through 1996. In particular, a five-year authorization is important. It will provide the needed stability in funding so local and State officials can adequately plan and manage their programs.

Let me now briefly outline for you the key proposals in our bill.

MAINTAIN CURRENT STATUTORY STRUCTURE

I think it is important at the outset to note that, unlike the companion highway legislation, we are not proposing to restructure the existing statutory framework of our program. Rather, we recommend a number of changes within the current program context. The urbanized and rural area formula programs are well known to our recipients, deliver transit funds effectively, and need not be changed significantly.

SOURCE AND DELIVERY OF FUNDING

We would, however, make two key changes regarding the transit program's source of funding and how those funds would be delivered.

First, we propose to fund the UMTA program entirely from the Mass Transit Account of the Highway Trust Fund. The Mass Transit Account currently has a genuine surplus and is under-committed. The transit component of the Trust Fund thus can support the proposed program level, some $3.3 billion annually or $16 billion over the five-year life of the bill. This funding level substantially will reduce the present uncommitted cash balance in the Mass Transit Account by fiscal year 1996. We think this is a fiscally prudent way to maximize use of the Trust Fund resources. Moreover, this financing from the Trust Fund would benefit all of our grantees, unlike the current program which primarily finances, from the Trust Fund, the discretionary program. The discretionary program currently benefits relatively few grantees.

Second, we propose to deliver much more of the overall transit program's funding by formula than is done under the existing program. Currently, some 52 percent of the program is delivered by formula. In contrast, our bill would distribute some 82 percent of the program under the existing statutory formulas. This is done by transferring the discretionary rail modernization and bus system activities to the formula program.

We believe it is in the best interest of transit recipients to provide them with a stable and assured source of formula funding from the Trust Fund so that they may develop long-range plans to address their transportation needs with some assurance that the Federal funds will be there.

INTERMODALISM

Mr. Chairman, as you know, last year President Bush and Secretary Skinner issued the National Transportation Policy, a report that provided the framework for our reauthorization proposal. In preparing that Policy, the Department held a series of hearings around the country, and one issue we heard about often was the fact that Federal transportation funds come from discrete program sources, highway or transit, and may only be used for the purposes of those different programs. This, we heard, failed to reflect the realities facing decisionmakers at the State or local level who deal with transportation issues, not just highway or transit issues.

Mr. Chairman, our bill would respond directly to those concerns by opening up portions of both the highway and transit programs to permit the funding of either highway or transit projects based upon decisions made at the local level. Specifically, about $2.6 billion of the funds available under the transit title of the bill, and $4 to 5 billion of the funds available-under the highway title - essentially the proposed highway Urban and Rural Program - would be available for highway and transit projects at the discretion of State or local officials. Whether or not a particular transportation issue should be implemented by means of a highway or transit project is a matter that best can be addressed at the local level. Our bill, for the first time, would let localities make that decision. And we believe that expanding rail transit lines or improving bus service could be as important for some urban areas as building more roads.

We recognize, of course, that given the high level of dedicated or tax funding at the State and local level for highway projects, this provision may inadvertently facilitate the funding of a greater proportion of highway projects than of transit projects. To keep the playing field level, this provision could only be used so long as the State or local share source of of a highway project to be funded with UMTA funds is available to fund either highway or transit projects; or when the Secretary determines there is a sufficient amount of dedicated funding available for transit projects. We believe such a "balanced" local approach will assure an equitable distribution of funds.

INCREASED LOCAL SHARE

Our bill would generally require a greater local share to match Federal funds - 40 percent in most cases. As Secretary Skinner often has noted, we believe this increased financial participation plays an important role in determining not only the future of the program but its integrity as well by ensuring that projects are developed on time and within budget. Simply stated, we think that we get the best decisions at the local level when State and local areas have a greater financial commitment to a project.

Moreover, the experience of the eighties is that States and localities have responded to the challenge and have significantly increased their funding of transit.

FORMULA PROGRAM, OPERATING ASSISTANCE

As I noted earlier, our bill would distribute 82 percent of its funding under our current formula program. We think the existing statutory formula does an excellent job in delivering transit funds. We would, however, propose to delete the so-called "incentive" tier of the formula. In our experience - and that of our grantees - this has been costly to calculate and has not really satisfied its objective.

We would make one key new funding allocation under the formula program, however. We would deliver rail modernization funds under the rail tier of the formula, some $600 million a year, as well as additional amounts to the rail cities through the allocation of the remaining formula funds. We would deliver this resource to all rail cities, not just to the older rail cities as is done under the current discretionary program. Because the funds would be distributed on a formula basis, each area would better be able to plan for the use of this resource.

Mr. Chairman, our bill no longer would permit areas over 1 million in population to use Federal funds for operating assistance. Let me make two points about this. First, this does not represent a reduction for these areas because we have significantly increased the capital funding for all areas under the formula program, including areas over 1 million in population. Second, these areas typically do not rely substantially on Federal operating assistance for their programs. For cities of this size, Federal operating assistance collectively represents only four percent of their total operating budget. We believe the appropriate Federal role is in the area of capital funding of projects, to provide for the replacement and enhancement of fleets and facilities, and that the costs arising from labor and other operating expenses can and should be addressed at the local level.

At the same time, however, we do recognize that other areas rely on Federal operating assistance and our bill would essentially "hold harmless" all areas below one million in population to their 1991 operating assistance levels. We would do this by expanding the current statutory definition of capital maintenance items to include materials and supplies, except fuel.

Areas under one million in population could use up to 25 percent of their 1992 apportionment or the 1991 operating assistance cap, whichever is higher, to fund capital maintenance items. These areas would also be eligible to receive operating subsidies up to their 1991 operating cap if eligible capital maintenance expenses fall short of the cap. The Federal share for capital maintenance expenses and traditional capital costs would be 60 percent. The Federal share for operating expenses would continue to be 50 percent.

NEW STARTS, SECTION 3 FUNDING

Mr. Chairman, let me now turn to another significant element of our bill, the fact that we would provide some $300 to $400 million a year over the life of the bill to fund new start projects under our discretionary section 3 program. Reflecting experience under the current program, where cities are overmatching Federal funds, we propose a Federal share of 50 percent for new starts projects.

The key point about our proposal is that we would fund only those new start projects that truly are cost-effective and supported by an acceptable degree of local financial commitment. Our bill includes language that would strengthen the new starts criteria under current law to emphasize and underline how critical we believe the cost-effectiveness issue is.

We would also require any city that is considering a new start project to very carefully assess a range of innovative financing proposals to help fund construction and operation of the project. More and more areas are relying on innovative proposals to help defray the costs of projects. These could range from joint development projects that involve private financing to benefit assessment districts that would derive revenues from the increase in property values brought about by a transit project.

In addition, $50 million would be made available for a range of discretionary projects under section 3, including the metropolitan and rural bonus projects program, which is under both the highway and transit titles. This program would fund non-capital intensive, innovative and "fast start" projects designed to ease congestion or address special rural needs.

PLANNING

Under the bill, the same changes in the planning program are in both the highway and transit titles. Transportation planning must include air quality considerations. Metropolitan areas would be required to develop a congestion management system that provided for the effective management of new and existing transportation facilities through the use of travel demand reductions and operational management strategies. In urbanized area planning, the bill would require consideration of long-range land use plans, development objectives and costs and impacts of the projects on both mobility and air quality.

RURAL FUNDING, STATE FLEXIBILITY

Our section 18 rural program has played an important role in providing assistance for the mobility needs of those outside of our urban areas. We recognize the great significance of this program and propose to increase the level of Federal funding for this important mobility need. Under current law, the program is funded at the $65 million dollar level. Our proposal would provide Federal assistance at the $89 million level each year over the life of the bill.

As with our other programs, we would raise the local share for capital projects under the program to 40 percent. We would permit operating assistance under the section 18 program at the same level that is available in fiscal year 1991 with the same Federal share as under current law, 50 percent.

The States play an integral role in administering this vital program, and our bill would further expand and clarify the State's role in the section 18 program, the section 16 elderly and handicapped program, and the section 9 formula program for small urbanized areas - those below 200,000 in population.

Specifically, to provide needed flexibility in the allocation of funds among these programs, the States would decide how much of the Federal funding available - some $310 million a year - would be allocated under each of the programs. Thus, if there were particular needs under the elderly and handicapped program in a given year, a State could direct additional funding to that program. We seek to encourage increased flexibility and greater decisionmaking ability at the State or local level as much as possible.

TRANSIT PLANNING AND RESEARCH

Let me turn now to another key element of our proposal. We believe the transit research program needs to be strengthened. As part of our reauthorization bill we are proposing an expanded and coordinated Transit Planning and Research Program. This new structure provides for an increase in emphasis and funding for research and development. An amount equal to 2.8 percent of the total UMTA appropriation would be set aside within the Mass Transit Account to support this program. In FY 1992, for example, this would represent $93.2 million.

In our view, the Federal Government must invest in research and planning to provide a more stable, cost-effective environment that will stimulate increased private sector investments and economic growth. To yield maximum benefits from our transit investment dollars, planning and research must be a more prominent element of the UMTA Program with a consistent source of funding, in scale with the total size of the mass transit program.

The TPR Program has two major elements: A national component and a State and local component. The national TPR program is proposed to advance Federal objectives, to help resolve problems of national concern and to initiate a new emphasis on technology development. One-third of the total resource will support this component. The State and local programs will support existing planning activities as well as implement a new Transit Cooperative Research Program designed to address the transit industry's short-term needs. Two-thirds of the total resource will support this component. The emphasis in both components is research, planning, demonstration, and training.

OTHER PROPOSALS

Our bill contains a number of other proposals. For example, the highway title would affect the Buy America program. While we extend the provisions of the current statutory program, the bill essentially would permit the President to waive the Buy America requirements if another country similarly were to waive its domestic preference provisions. We would also propose to give UMTA the authority to require workers of our grantees in safety positions to be subject to drug and alcohol testing. Every other agency of the Department has a drug testing program, and we cannot ignore this critical safety issue in the transit industry.

We have detailed information on all of the provisions of our bill, and we would be pleased to share that with you and your staffs.

CONCLUSION

Mr. Chairman, as the President said in forwarding the highway/transit bill to Congress, this is the first step in the process. We look forward to discussing the bill with you and your staffs as we work together on this important matter. We will be available over the coming months to provide you whatever assistance or information you need.

That concludes my remarks and I would be pleased to respond to any questions you may have.

Senator CRANSTON. Thank you very much for that very constructive statement.

We welcome you at this hearing, again.

I do have quite a few questions, that I'll try to cover as rapidly as possible.

If you can be reasonably brief in your response, we can get more ground covered.

Otherwise, I'll have to submit some of these in writing.

Mr. CLYMER. OK.

Senator CRANSTON. Since 1981, Federal mass transit programs have been cut from $4.6 billion to the current level of $3.2 billion.

After you take in account for inflation, that's a real reduction of 50 percent.

The Bush administration proposal would freeze mass transit funding at the fiscal 1991 levels through fiscal 1995 with a face saving nominal increase way out in fiscal 1996.

When measured against inflation, however, the administration's 5-year proposal would bring a string of annual mass transit funding cuts in real terms, with a new cut of $1.59 billion below the CBO, current services baseline.

Given the Federal priorities of energy conservation, a cleaner environment, improved mobility, reduced congestion, economic productivity and international competitiveness, how does the administration justify this proposal for declining levels of investment?

Mr. CLYMER. Well, first, Mr. Chairman, I'd like to point out that our budget proposal does, for the first time in a decade, propose an increase in funding.

I think that indicates our level of commitment.

Second, in proposing that the highway and the transit accounts be open for flexible funding, there are significant dollars available under the highway programs, some $3.9 billion in the urban and rural program, the ability to transfer some 15 percent of the National Highway System program down, as well as the ability to provide for HOV lanes and Park and Rides out of the National Highway System program.

We think this combination adequately meets the needs of transit over the next 5 years.

We've calculated between $3 billion and $3.7 billion a year, which would include the bus funding requirements, total costs of maintaining the urban and transit bus services, and the total cost of maintaining the urban and rural specialized bus infrastructure, and the basic rail modernization needs.

Senator CRANSTON. Are you saying there will not be a reduction when inflation is taken into account?

Mr. CLYMER. Well, I think with the ability to move dollars back and forth from the highway program, there should be more than adequate funds to cover what the needs are.

Many areas, as a result of the Clean Air Act, are not going to be able to build highways, and should be able to use their highway funds to cover funds in the mass transit area.

Senator CRANSTON. Do you believe that the ability to move funds back and forth in that way will mean that there will be an increase net after inflation in funding?

Mr. Clymer. Well, I think if an increase is needed, it's available and can be used in that manner, yes.

Senator Cranston. We're going to have to do some very careful calculating on all that.

Are these the funding levels that UMTA requested of OMB when the President's budget was being put together?

Are these figures in the budget those that you requested of OMB when the budget was being put together?

Mr. Clymer. Well, Mr. Chairman, in any kind of a process, there's always a give and take.

So the figures that we have here are not precisely the figures that were submitted to OMB, but they are those that were agreed on.

Senator Cranston. Did UMTA seek figures, apart from the shifting back and forth, that would have at least held level with inflation?

Mr. Clymer. I beg your pardon?

Senator Cranston. Did UMTA seek funding levels that would at least hold even with inflation, setting aside that matter of being able to transfer some funds from one place to another?

Mr. Clymer. Well, as transit advocates, we always seek to maximize our program.

I think that's a natural part of the give and take process.

Senator Cranston. Did UMTA seek funding increases above inflation?

Mr. Clymer. Beg your pardon?

Senator Cranston. Did you seek funding increases that would have been above inflation?

Mr. Clymer. I believe they could be considered to be above inflation, yes, sir.

Senator Cranston. Can you tell us what those levels of funding that you sought were, and what was your justification for seeking them?

Mr. Clymer. I don't have those figures available with me today, Mr. Chairman, but I'll be happy to submit them for the record.

The following table compares the budget submission UMTA made to OMB with the President's FY 1992 budget:

[In millions of dollars]

	Submission to OMB	President's budget
Formula grants	$3,083	$2,600
Discretionary grants	625	350
Transit planning and research	120	93
University transportation centers	6	6
Administrative expenses	41	40
Washington metro	125	80
Interstate transfer	To FHWA	160
Total	4,000	3,329

Senator Cranston. Good.

Along with your explanation and justification.

Mr. Clymer. Thank you.

Senator CRANSTON. Good.

How do you respond to the APTA claim that real transit needs warrant a program of $11 billion to conduct adequate maintenance, sufficient expanded services, and meet the additional requirements for ADA and Clean Air?

Mr. CLYMER. Well, Mr. Chairman, we have not had the opportunity to reconcile APTA's numbers with ours.

We would calculate that the full transit needs, which include not only the basic costs I mentioned earlier in my comments, but the costs of new starts, meeting the needs of Clean Air, and meeting the needs due to Americans With Disabilities Act, and an acceleration of the 10-year rail modernization program, and materials and supplies for all operators, bus system expansion, and other similar capital needs, would probably total somewhere in the area, of $7.6 billion.

That's fairly generously put.

I think that the program dollars available would adequately cover those needs.

Senator CRANSTON. The administration proposes to lower the Federal matching ratio for capital investment projects and new starts, so that the State-local share of total project costs would be forced to double.

The administration argues this will leverage additional dollars for transit.

Just 2 days ago, the Senate Banking Committee heard compelling testimony about the mounting fiscal distress faced by many of our State and local governments, because of all sorts of pressures upon them.

Given this environment of fiscal crisis, what methods do you think State and local governments can use to meet these higher matching requirements?

Mr. CLYMER. Well, I think one of the things that we've seen in recent years has been a tremendous capacity and a tremendous willingness at the local level to increase transit funds.

This is something that's been going on all around the country.

It's taken a number of forms.

We've seen it in the form of gas taxes, we've seen it in the form of tolls, dedicated tolls.

We've seen it in the form of sales taxes.

I think there are any number of vehicles available to localities to fund mass transit, other than out of the fare box.

Senator CRANSTON. Having served on the SEPTA Board, you know the fiscal constraints faced by Philadelphia as well as anyone does, I'm sure.

Where would Philadelphia find the funds to provide its local match, and what effect would those efforts have on the operation and efficiency of the SEPTA system?

Mr. CLYMER. Well, Mr. Chairman, how transportation is funded in this country is always a matter of local decision.

I never review an operating ratio of a particular operating authority based on what strictly is coming out of the fare box, because it's always a measure of local commitment.

MARTA, for example, when the system was formed, came up with a local deal that called for a 25-cent fare for the inner city residents, and provided a State sales tax to provide the balance.

Philadelphia, likewise, has to make those decisions.

The decisions that have been made by the region and by the State in the past have been for a majority of the funds to come from the fare box.

In fact, it's now, if not over 60 percent, certainly close to the 60 percent from the fare box ratio.

What that means, basically, is that the region and the State have made an election that the funding and the cost of transportation should be provided by the riders.

I think they are probably reaching the top of the elasticity curve there, as a result of having probably one of the highest fares in the country.

It is evident that Philadelphia, as one of the largest transit providers in the country, needs some form of dedicated funding.

The State provides, I think, the third highest amount of transit operating assistance in the country, as well it should, given the fact that there are 38 transit authorities in the State of Pennsylvania.

But from a capital perspective, they lag behind similar properties, such as Boston, which provides close to double the capital funding of Pennsylvania.

Senator CRANSTON. Do you think Philadelphia could find the funds for the increased match?

Mr. CLYMER. I think it's going to be a question of not just the city, but also of the region and the State putting their heads together to come up with a local dedicated source of funding.

Yes, I think it is possible.

Senator CRANSTON. I was just handed some figures by Don Campbell, the staff director, which indicates that Philadelphia's Federal operating subsidy is about $28 million, the local subsidy is about $38 million, while the city is running a $225 million deficit at the present time.

And that's, I think, typical of what is faced in many, many cities.

So it's not going to be easy to find that money.

Mr. CLYMER. There's no question about it.

I think Philadelphia, in being in the position right now where it is currently trying to sort out the local options and find dedicated funding, certainly has the flexibility, right now, to those funds toward operations, while letting the Government provide the capital funding.

I think the overall question is the dollars provided, and not where the dollars are provided.

Senator CRANSTON. You're confident that the money would be found somewhere for that increased match for Philadelphia?

Mr. CLYMER. I certainly think that it's possible to find the money, yes.

Senator CRANSTON. The administration's proposal wants to finance mass transit programs entirely out of the Trust Fund, rather than from the current mix of Trust Fund and general revenues.

Although the transit account will have a $4.1 billion balance of uncommitted funds at the end of fiscal 1991, the administration's own projections indicate that the administration's plan would deplete the transit account by fiscal 1998.

Congress would then confront a bitter choice: to scale back mass transit assistance sharply, or increase fuel taxes, or move mass transit back as a claim on general revenues.

I don't intend to stand by and create a budget time bomb that will explode 5 years from now.

How do you respond to the criticisms that have been raised by Senators on both sides of the aisle on that point?

Mr. CLYMER. Well, I think we probably find ourselves in sort of a Catch 22.

We've spent the last 2 years in outreach, talking with State and local governments, and what we've been hearing is that we should spend down the Trust Fund, spend down the Trust Fund.

Now we're proposing to spend down the Trust Fund, and now we're hearing, don't spend down the Trust Fund.

There is adequate money in there to spend down the Trust Fund over the 5-year period.

It leaves about a $400 million balance come 1996.

The tax currently would go several years beyond the reauthorization period.

In addition to that, the Trust Fund would still have a cash balance somewhere in the neighborhood of $8 or $9 billion.

There would be interest that would accrue on those balances.

Our calculations show that the Trust Fund would remain viable, even as long as through a second reauthorization period, a second 5-year period beyond this.

Our assumption is, of course, that the current half penny would expire in 1995, and certainly we would be looking at some outyear decisions, were the program to remain viable and ultimately increase.

Senator CRANSTON. What other proposals have you considered that would balance the funding of mass transit from the Trust Fund and general revenues?

And with that, how do you achieve a level of funding sources that can sustain a strong transit program over the long term?

Mr. CLYMER. Well, our recommendation, which is in the National Transportation Policy, is that we could get the transit fund entirely sustainable from user fees out into the future.

That by doing that, we basically protect the program from fluctuations in the general fund, from competing with S&L bailout problems, and other monetary needs that are competing within the general fund.

Senator CRANSTON. Providing a level playing field is perhaps the most important change needed in this authorization according to dozens of witnesses and recommendations that we've received.

The administration's proposal gives a matching requirement of 75 percent to 90 percent for roads a part of the proposed National Highway System, but only a 50-percent match for new transit starts.

To what extent do you think this policy will continue to bias decisionmaking regarding transportation expansion toward roads and away from transit?

Mr. CLYMER. I don't really think it's going to bias it at all.

The assumption would be that either 100 percent of the highway funds could be moved into transit, which is probably an unrealistic expectation.

There are probably more highway needs than the highway fund is capable of fulfilling, as it is, more transit needs than the transit fund is capable of handling.

The fact that they would be competing in that 75/25 area is probably not realistic.

In the urban rural program, there is a 60/40 proposed match, as there is in transit.

That would keep transit decisions and highway decisions on a level playing field.

In the event that areas chose, they could transfer 15 percent of the National Highway System program down to the urban and rural program, in which case the funds would have the 60/40 match.

So that decisions would be made whether to elect for highway or transit, based on that 60/40 match.

Senator **CRANSTON**. How can we remove other biases that stack the decision against transit? There are several others. Do you perceive any biases that have to be dealt with?

Mr. **CLYMER**. Not that I am aware of at the moment. Do you have any specifics?

Senator **CRANSTON**. It seems to me that there are a number of factors that militate toward highways and against transit. And we've got to figure out which they are and how to deal with them.

Mr. **CLYMER**. Well, one of the things we're trying to do by forcing the local decisionmaking is to remove that kind of bias. We feel that if areas are more responsible locally, if they are making their decisions, the State highway departments, the regional MPO's, the regional transit authorities are making these decisions together, that many of those biases will disappear as the result of having that flexibility.

Senator **CRANSTON**. The administration's proposal takes a bold first step toward creating a flexible transit and highway funding program. But I have some concerns about the effect the department's proposed flexibility will have on mass transit.

One such concern is the inequity between the share of transit funding that would be made flexible versus the share of highway funding. Two and six-tenths billion dollars out of $3.25 billion transit fund would be made available for highways. That's 90 percent of the transit funds. But only $4 to $5 billion of a $14.5 billion highway program would be available to transit. And that's about 30 percent of highway funds.

To what extent does this inequity put transit at a disproportionate risk of losing its fair share of transportation funding?

Mr. **CLYMER**. Well, we considered that, Mr. Chairman. I don't think it does put them at a disproportionate risk of losing transit funding.

If we had limited portions of the transit program available for the flexibility approach, maybe eliminating either the discretionary program or the formula 9 program, that would then eliminate those grantees that participate in those segments of the program from the ability to get at the highway funds. We wanted all of our grantees, all aspects of transit to have that ability and therefore generally opened up the entire fund.

If you look at the amount of highway dollars that are available, $3.9 billion with the ability to transfer down from the National Highway System program another approximately $1.4 billion, you have an amount that's almost equal to 150 percent of the total transit program available for transit needs, clearly much more than we have in the entire transit program.

Senator CRANSTON. What projections are there in your program to ensure that transit won't lose most of its program to State and local highway interests? How do we make sure that can't happen?

Mr. CLYMER. Well, I think the mechanism that's in place to do this evaluation will certainly safeguard it. If money were to be transferred from transit to highways, the application would have to be made by the transit authority to UMTA to move money into the highway program. So clearly if they were not in agreement with that process, they wouldn't apply for a grant.

In the areas that rely on funds for operations, it's likely that they would be unwilling to give those dollars up.

In addition, we will have to take a look at the process. We will insist that the planning process include participation by not just the transit authority but also by the MPO and by the State highway departments. So that a decision to move funding was made based on a good local decisionmaking process that had a long range transportation improvement plan that included and took into consideration the needs of not only transit but also the highways.

Senator CRANSTON. A second concern I have about the administration's flexible program has more to do with its structure than the allocation of resources.

I am deeply concerned about the maintenance of our existing infrastructure. Furthermore, large metropolitan areas desperately need the discretion to choose the form of transportation that is the most appropriate way to expand capacity. It seems to me we have to move in that direction and I'm glad you're shaking your head affirmatively.

For that reason, I had envisioned that only funding for transportation expansion would be made flexible. The administration proposal appears to do just the opposite by making the entire section 9 program flexible, but none of the new start program.

What types of safeguards are included or do you think should be included in the administration proposal that will prevent the use of transit maintenance funds to be used for highway expansion?

Mr. CLYMER. Well, because the transit maintenance funds, which are part of our formula 9 program, formerly under the operating subsidy category, are so necessary, it's highly unlikely that areas receiving operating assistance through the maintenance program would give up those funds for transfer to a highway program.

Senator CRANSTON. The Clean Air Amendments of 1990 was the top achievement of the 101st Congress. It was passed with bipartisan support and the administration's support. The President's surface transportation proposal, however, seems to be what might be called tone deaf to the clean air priorities by continuing a pattern of heavy Federal bias toward highways at the expense of mass transit. The 1-percent increase proposed for transit funding contrasts with the more than 25-percent increase that the administration proposes for the much larger highway program.

Our right hand can't clean the air if our left hand is encouraging more folks to drive cars and trucks. Transportation sources already cost us 40 to 60 percent of ozone pollution and 70 to 80 percent of all carbon monoxide emissions.

In light of the facts, what possible justification can you offer on behalf of the administration to explain this continued old-fashioned over reliance on building more highways?

Mr. CLYMER. We've approached it in a number of fashions. I think the Clean Air Act clearly is going to limit what certain areas can do in terms of building highways. That would allow them to take funding from their highway programs and move it to transit programs as an alternative.

We do have a discretionary account to help subsidize clean air and the Americans With Disabilities Act, and in addition to that the increase in the formula 9 program, the fact that we are providing increased capital funding, would also assist areas in meeting those needs.

Senator CRANSTON. I want to welcome Senator Bryan, a member of the subcommittee.

And I have been asking questions rather endlessly. If you have any statement to make, this would be the appropriate time.

Senator BRYAN. Mr. Chairman, thank you very much. Let me congratulate and compliment you on holding these hearings. I do have an opening statement, that I would ask unanimous consent that the opening statement be made part of the record so that we may move after you finish on to our next panel with whom I would like to visit.

Senator CRANSTON. Fine.

Senator BRYAN. Thank you.

STATEMENT OF SENATOR RICHARD BRYAN

Senator BRYAN. Mr. Chairman, I thank you for calling this hearing, and I look forward to hearing the testimony of the witnesses.

As I am certain everyone is aware, my home State of Nevada is not a particularly populous State, and unlike several of my colleagues on this subcommittee, our municipalities do not operate massive transit systems. For the most part, in the past Nevada has relied on increased road and highway capacity to meet our increasing transportation needs.

Nevada is, however, the fastest growing State in the Nation, and cannot continue to meet its transportation needs through highways alone. For example, in Washoe County, which contains Reno, the Regional Transportation Commission has done a fine job of developing an efficient, well-run bus system. While the dollar amounts in Federal assistance used by Washoe County are not particularly great compared to that used in our Nation's major metropolitan areas, this Federal assistance was, and will continue to be, essential to the development of the system.

Due to my own regional interest, I am anxious to hear Administrator Clymer's analysis of how the administration's proposal will affect moderately sized urban areas with growing transit needs. In addition, in Nevada we have many sparsely populated rural areas, which often need more specialized transit systems, such as those for elderly or disabled individuals. I am fearful that the reductions in the Federal Government's share of these projects, especially under the section 18 program, will jeopardize communities' ability to continue to provide service.

Like my colleagues, I am also very concerned with the future of the mass transit program when the new authorization expires in 1996, and I am anxious to hear how Administrator Clymer's plans for the future of the mass transit system after 1996.

The President has announced that the reauthorization of the Highway Program is one of his top priorities for 1991. I share the President's concern for our Nation's highways, and I hope that this concern extends to the mass transit reauthorization as well.

Thank you, Mr. Chairman.

Senator CRANSTON. Thank you very much, Dick.

Regarding operating assistance, currently localities can determine the amount of Federal assistance they wish to designate for operating assistance and the amount they wish to designate for capital improvements. The Federal law already encourages localities to use Federal assistance for capital expenditures by requiring a higher State-local match if funds are used for operating assistance.

The administration bill would prevent large expensive systems from determining where Federal dollars would best be used in their system. The administration seems to say, we'll reward you for buying new plants and equipment but we will penalize you for trying to maintain the assets you already have in service.

Why do you think it's in the national interest to take away all ability of large systems to use Federal assistance for operating assistance.

Mr. CLYMER. Basically because the amount that the Federal Government provides to those large systems is fairly inconsequential. It's about 4 percent of their budgets or less. In many of the large cities it's only 2 or 3 percent. Clearly they are not responsible to the Federal Government for any manner of their operations. We don't involve ourselves in their operational activities. Those are things to which they are responsible for local officials.

There really is no Federal interest in the local operations or how they set their fares or conduct their activities. The Federal role, I think, quite responsibly, is in the area of capital. I don't think it's going to create a long-term burden on those large properties to shift out of that.

As you mentioned, areas can determine the amount that they use between operations and capital subject to the limitation of a cap. We did recognize in the cities under a million that they do rely very heavily on those sources, given to the characteristic difference of their operations. And we have provided for a capital incentive, if you will, the ability to use those funds for materials and supplies, which is an operating category. And those areas can have the same determination up to either their former operating assistance cap, or 25 percent of their section 9 apportionment, whichever number is greater.

Senator **Cranston**. Why shouldn't local managers be given the same flexibility to choose between capital and operating costs as they would be given to choose between highway and transit expansion flexibility under the administration proposal, where I am in full agreement with what you are suggesting?

Mr. **Clymer**. I think it is because we do not play that big a role in the local operations.

Transit system are responsible locally, and I think that is where the determinations ought to be made.

Senator **Cranston**. Should not larger and smaller systems be treated the same way in the issue of operating the system?

Mr. Clymer. Well, I think larger and smaller systems are characteristically different in the way they operate.

The rural and urban systems, the rural and suburban systems, have characteristically less ridership than the urban systems do, and their budgets tend to be much, much smaller.

I think they are really a totally different animal, if you will, in terms of how they operate.

Senator **Cranston**. Some argue that eliminating Federal operating assistance will drive up fares and drive down service, a one-two punch that is sure to cut ridership.

Some also argue that fare hikes and route eliminations will severely hurt the ability of low-income people to get to work, to the doctors, to school, and to places of worship.

How does the administration's proposal solve the problems low-income people would experience if fares are increased and service is reduced?

Mr. **Clymer**. I would first like to emphasize that it is not our intent to drive away ridership or to cause a burden on the disadvantaged who ride transit systems.

Senator **Cranston**. I am sure that is not your intent. I fear that that might be the result.

Mr. **Clymer**. Our feeling is that the commitment to transit is a local choice as to how they go about doing that.

Larger areas have the ability through their other sources of funding, their local funding, to commit those funds to operation and allow the Federal Government to commit its funds to capital.

Senator **Cranston**. How did you analyze the effect the elimination of operating subsidies to big cities would have on fares and services?

Mr. **Clymer**. We have been able to take a look at the methods of funding in the large areas and take a look and see what kinds of funding they are, whether it is sales tax, or gas tax, or how the local funding is provided.

Our feeling is, although it is not going to be an easy process, that over a couple of years they will be able to make that adjustment with relatively little discomfort.

Senator **Cranston**. According to your analysis, what cities will be most severely affected by the elimination of operating assistance?

Mr. **Clymer**. I do not have that information available right now, Mr. Chairman, but I would be happy to provide it for the record.

Senator **Cranston**. I would appreciate that.

If you could also provide information on which cities are fare hikes and service cuts most likely to be the consequences of this policy change?

Mr. CLYMER. That may be difficult for us to determine.

We can take a crack at it, given that those are probably local decisions and may be based on local policy decisions.

Senator CRANSTON. As much as you can, if you would give us your specific analysis for each city, that would be helpful.

EFFECTS OF REDUCED OPERATING ASSISTANCE

It is impossible to estimate how individual cities would respond to elimination on Federal operating assistance. From the numerous measures that local managers might take, I could not speculate on which actions would be chosen. Nevertheless, a glance at the numbers across all the cities affected by the proposed elimination of operating assistance suggests that compensating actions in any individual case need not be severe.

Although it is very unlikely that all reductions in Federal operating assistance would automatically be absorbed by fare increases, we have calculated—for the 30 urbanized areas with populations over one million—the amount fares would have to increase to replace losses in Federal funding (based on 1989 data), and the resulting effects on ridership.

The rule of thumb for the elasticity of demand with respect to price for average transit services is -0.3. That is, for each 10 percent increase in fares, transit ridership tends to decrease by 3 percent. It is important to note that this "rule" represents an averaging across "inelastic" journey-to-work commuter services and "elastic" services for more discretionary trip purposes. Thus, if fare increases were targeted to more inelastic market segments, such as high demand rush hour commuter services, the impacts would be different.

There is no need, however, for fare increases to reduce ridership. A number of systems in the past few years have adopted innovative fare policies—often called "deep discount fares"—that increase both fare revenues and ridership simultaneously. The deep discount refers to the practice of assessing sharply lower fares on regular transit users, allowing higher fares on infrequent users.

By targeting fare increases to passengers most able to tolerate higher fares—such as occasional users, Chicago, Illinois, increased fare revenue by 7 percent and ridership by 1.5 percent. Oakland, California increased its fare revenues by 14 percent while ridership decreased by ½ of 1 percent.

Deep discounting is also being applied in Denver, Miami, Milwaukee, Minneapolis, and several smaller systems, and it is being considered by many additional systems.

Incidentally, local deep discount fare policies would be greatly encouraged by more favorable tax treatment of transit pass programs because advance purchase of ticket booklets and monthly passes for regular transit users lie at the heart of the deep discounting strategy.

Senator CRANSTON. Regarding new starts, the administration's proposal includes a section 3 discretionary program of $350 million in fiscal 1992.

After existing full funding contracts are honored, only $88 million would be available for additional discretionary new start spending.

UMTA documents indicate that there was some $5.3 billion in section 3 projects that already have successfully completed UMTA's rigorous alternative analysis and preliminary engineering processes.

These eight projects will soon be seeking full funding contracts for some $2.5 billion in Federal aid to begin construction.

Some 17 projects are now moving through UMTA's alternative analysis pipeline, and 59 more are in preliminary stages of systems' planning.

How is the administration's proposed funding level for new starts going to meet this huge demand and huge need?

Mr. CLYMER. Well, yes, UMTA does have full funding grant agreements outstanding in Los Angeles, Miami, and St. Louis.

The amount that we have provided will allow UMTA to honor all those commitments in fiscal 1992 and still leave a balance of approximately $90 million for other worthwhile projects.

Our recommendations for the allocation of these funds are contained in the soon-to-be-released section 3-j report as required by the UMT Act of 1964 as amended.

In accordance with the draft report, it will be possible to finance approximately $3.6 billion in total new system investments, assuming a 50-percent Federal share.

Among the worthy projects are Los Angeles, New York, Honolulu, Orange County, CA, and San Francisco.

Senator CRANSTON. How do you plan to provide funding for the eight projects in the final stages now of the UMTA grant approval process, remembering that these localities are already bearing a large local share of the total project cost?

Mr. CLYMER. I think that if you look at the major projects—and we will be showing this in the 304 report—as they come through the pipeline, given the dollars available over the total authorization period, that we should have sufficient dollars to provide for most of those projects given a 50-percent match level.

Senator CRANSTON. The administration proposal codifies the cost effectiveness criteria in the existing new-start programs.

Many transit planners argue that these cost-effectiveness criteria are too narrowly defined.

Wise investment decisionmaking should also recognize the benefits of integrated land use planning, and the benefits of maximizing mobility, and the benefits of meeting air quality standards.

What way does the administration's proposal give to each of these considerations when assessing new-start proposals?

Mr. CLYMER. The cost-effectiveness guidelines have been fairly effective over recent years in terms of sorting out what we would consider to be the most meritorious projects.

Issues such as clean air and congestion are issues that are relatively standard to most areas that are trying to build these new-start systems.

We are doing a number of things to try to strengthen the process.

We have provisions in the new law to consider innovative financing techniques, for example.

We do and are giving some consideration now to areas that are putting up greater than the statutory share, given that if they put up a greater share of the local funding that the costs and the decisionmaking should be given more weight at the local level.

Senator CRANSTON. I urge you to join with us in trying to figure out how these important considerations can be taken into account more appropriately.

Mr. CLYMER. We will be happy to consider that.

Senator CRANSTON. The administration proposal clearly emphasizes the importance of leveraging private investment in our public transportation infrastructure.

For example, the proposed amendments to the section 3 New Starts Program would require applicants to assess the feasibility of using innovative financing techniques.

Many transit operators believe that the Federal Government could do more to facilitate the leveraging of private sector funds.

They argue that the advance construction authority contained in the position law does not work.

They also contend that the proposed codification of the Full Funding Grant Agreements will not greatly enhance the ability to obtain private financing.

How do you respond to these criticisms?

Mr. CLYMER. Well, certainly innovative financing techniques is something I have a personal interest in and we welcome any discussion or suggestions in that area.

We have, over the last couple of years, developed a number of avenues for using innovative financing such as the cross-border lease and the certificate of participation program.

And we are looking for new ways to do that.

Advance Construction Authority is something that has been used.

We are normally limited within the constraints of a reauthorization period to whatever the total dollars are available.

So to provide dollars within a reauthorization period, HUD is able to fund or obligate a program up front, and then allow that program to pay itself out over the authorization period.

We simply do not have enough funds within an authorization period to upfront fund those programs in a similar fashion.

We have to fund on a sort of pay-as-you-go program.

Senator CRANSTON. How can we improve the usefulness of Advance Construction Authority and the Full Funding Grant Agreements?

Mr. CLYMER. Well, I think we may need to take a look at things that other countries do in terms of providing long-term financing.

Certainly a longer authorization periods help us.

I think as financing agencies look at our advanced construction authority and how we use it, it has been relatively effective.

They understand that it does represent a commitment, even though it is within a particular reauthorization period, or for a particular amount, and even though they understand that beyond that time period the commitment falls to the local entity, I think it has still been fairly good in providing assurances that the Federal funding commitment is there.

Senator CRANSTON. Frank Wilson, who is the general manager of BART, the rapid transit system in the Bay Area of San Francisco, has submitted a proposal to provide multiyear funding for new-start projects which could bridge reauthorization bill cycles.

I would appreciate it if you would read that proposal and share your comments with us within the next 2 weeks.

Mr. CLYMER. I would be happy to do that.

Senator CRANSTON. Thank you.

[The following was subsequently submitted for the record:]

Regarding BART's multi-year financing proposal for new starts projects, we note that BART is continuing to review other Federal agency funding mechanisms as it considers this issue. We would prefer at this point to discuss these issues informally with you and your staff as BART further reviews this issue and develops its proposal. In addition, since BART refers to the funding and financing aspects of the FHWA programs, we would be pleased to have appropriate staff from that agency meet with Senate staff to discuss how their program works.

At the same time, however, we believe that the current funding mechanisms we now have in place do a good job in bringing discipline to the process of funding multi-year projects. Under section 3(a)(4) of the Urban Mass Transportation Act of 1964, as amended, UMTA may not obligate or commit funds other than those available under an existing authorization, and such funds, together with local funds, must be sufficient to complete an operable segment. Within this statutory framework, however, we have a variety of statutory and administrative mechanisms to help our grantees address their financing needs. These include the full funding grant agreements, advance construction authority, the letter of no prejudice, and capital leasing. In addition, we have been actively encouraging our grantees to consider the benefits of a number of new and innovative financing mechanisms, including cross-border leases and certificates of participation, under which grantees can earn needed additional revenues.

It may be that, as we get more experience with these different funding mechanisms, they will be used by a greater number of our grantees. In any event, we look forward to further discussions about this issue with you and your staffs.

Senator CRANSTON. The administration's proposal would allow a Governor the discretion to aggregate transit funds and transfer them within the State among section 9 for small urbanized areas, section 18, and section 16(b)(2).

The Governor could also transfer funds for many of these programs to the Highway Program.

Rural transit operators argue that such flexibility should not be allowed, given the overwhelming strength of highway interests in most State governments.

What protections are there for the small transit providers in rural America under the administration's proposal?

Mr. CLYMER. First, we believe that most of the States have already developed very effective programs for managing the section 18 and 16(b)(2) programs, and thus could very easily take on the management of the section 9 grants as well.

Our experience in Ohio indicates that this can work very well.

Second, we think the flexibility in which the State will have to transfer funds among and between these programs is going to be maximized.

Third, the large number of grantees combining these grants into single grants will allow us to reduce administrative overhead and concentrate on managing the problems, not just doing the paperwork.

There certainly have been some concerns with regards to the money transferring between the programs and how it would be safeguarded.

Those are decisions that the States have the ability to make.

If they make the decision to transfer or to eliminate a program, funding clearly I think we would have to ask the question: Should we interfere in that program and make a determination that would overrule a State determination that they don't want it?

Senator CRANSTON. Are you confident that these protections will allow rural operators at least to maintain their existing levels of service?

Mr. CLYMER. I think in all likelihood that the existing levels are going to be at least maintained, yes, sir.

Senator **Cranston**. At a hearing last year before this committee, we heard testimony from the General Accounting Office and from transit officials who expressed serious concern that UMTA did not have sufficient field staff to process and monitor the active expansion programs in many regions of the country.

I recognize that you received a few additional staff last year, and you have requested additional staff again this year.

We were talking just yesterday or the day before about the size of your staff compared to the highway supervision people.

However, I am still hearing from my home State that UMTA urgently needs additional field staff.

My concern is that your proposal includes the flexible use of some of the highway funding for transit use and therefore could create even higher demands on UMTA staffing.

How will an UMTA field staff, which is already spread so very thin, be able to accommodate the additional mandates of ADA, Clean Air, and the new program opportunities presented by the administration's flexible programming?

Do you feel you can handle it with your present staff?

Mr. **Clymer**. Well, I think we are moving very prudently in that direction.

The effects of the 14 additional staff that we got last year has not yet been felt in the field.

We are in that procurement process right now.

As you know, it is a rather lengthy and cumbersome process that the Government goes through in terms of bringing people on board.

I think the effect of the 31 new FTE's that we have requested will also have a significant effect.

We have targeted most of them to the field operations, and we think that will have a significant relieving effect there.

We have also utilized some of our section 3 oversight funds to help in this category.

We are doing some of our triennial reviews with the use of a combination of outside contractor and UMTA staff, and that has taken a considerable amount of the pressure off.

In addition, we have undertaken an outside study of the staffing needs of UMTA.

The study is being performed by Booz-Allen & Hamilton and should be ready sometime this summer.

It will give us a good look at what we are doing.

I think that in terms of the needs created by Clean Air and highway projects being transferred to transit ones, what is going to happen is the dollars are going to go pretty much to existing programs, ones that we are already working with, either new starts or construction of projects that are already in the pipeline and things we are already coping with.

Certainly if there was a large transfer of highway dollars for some reason and a big increase in transit programs, because of the nature of having to go through design and engineering studies by the time that that hit us we would have sufficient "heads up" time to accommodate it and request the change from Congress.

Senator **Cranston**. In testimony prepared by UMTA for hearings last year in California, the agency stated:

With respect to UMTA's oversight jurisdiction or responsibility, it is important to note that UMTA is not a regulatory agency.

Frankly, I found that admission a little startling at the time, given the amount of funding that UMTA administers and the importance of assuring State and local accountability.

How has the administration's position changed since then, if it has? And to what extent does your proposal reflect any such change?

Mr. CLYMER. There is no question that we acutely feel the need for oversight responsibilities.

I think we can accommodate that without the need to become a regulatory agency.

The transit industry is a very accommodating industry.

Whenever we have made suggestions in the past, whether safety regulations or operational ones, the transit industry has complied virtually 100 percent.

They are very responsive in terms of national suggestions.

I think that we have dedicated a considerable amount of funding to the project management oversight program.

I have given that a great emphasis.

I have increased the funding for triennial review to increase and strengthen that process based on comments that we have received from GAO and from the inspector general.

We are also putting a new emphasis in the procurement field.

We are bringing back in procurement training and we are going to be performing, both through the use of inhouse staff and contract staff, a number of procurement reviews on a greatly increased basis.

So we are taking that oversight function very seriously.

Senator Cranston. Thank you very much.

That completes my questions. I want to thank you for your very succinct and responsive answers to my questions. I must say, I admire your grasp of all the ins and outs of this very complicated field. Before I go on, I have a statement from Senator Pryor for insertion in the record.

STATEMENT OF SENATOR DAVID PRYOR

Senator PRYOR. Mr. Chairman, thank you and the other members of the subcommittee for allowing me to enter into the record my comments on the President's proposal to reauthorize the Urban Mass Transit Administration [UMTA]. I also appreciate the opportunity for comment you have afforded my constituents from the Arkansas Highway Department and the Arkansas Transit Association. I hope our testimony will bring to light the problems facing rural transit systems and possible ways in which they may be remedied.

Mr. Chairman, even though funds for rural State transit systems have increased over the last few years, almost 50 percent of our Nation's counties are without basic public transportation. Many counties with transit systems are having to scale back their operations due to a lack of funds. As you can imagine, this situation presents an especially dire situation for those who are very dependent on public transit and demographic surveys tell us that rural

States have a disproportionate share of these people. Thirty-eight percent of our total population live in rural areas, as well as 40 percent of our elderly, 42 percent of our poor, and 43 percent of those with disabilities. Yet in spite of the statistical proof of the need for greater Federal dollars, rural residents receive only $1 in Federal funds per capita compared to over $28 for those in urban areas.

This discrepancy in funding was brought home very clearly to me when I held a field hearing in Little Rock last year on long-term care in rural America.

At these hearings I heard witness after witness testify that they are experiencing great difficulty finding transportation to meet such primary needs as health care, grocery shopping, banking, and recreational activities. Without access to some form of public transit, the elderly, poor, and disabled will essentially be shut out of the opportunity to maintain an active, productive, and independent life and shut into their homes to wither and oftentimes die.

I have read the statements of my friends from the Arkansas Highway Department and the Arkansas Transit Association and I agree with every point contained in their statements. They have accurately and descriptively detailed the needs of our rural transportation systems. However, the first among equals as far as I am concerned when listing proposals to assist rural transit, is a change in the funding formula that would allow for a minimum allocation from UMTA. I feel such an allocation is fair and would end the inequitable situation many rural States find themselves in of contributing heavily to the mass transit account but receiving only a minuscule amount in return apportionments. For instance, my State of Arkansas, in 1988, contributed over $14.5 million to the account but got back only about $600,000. I urge the committee to take a serious look at the minimum allocation proposal. It is only right that all States and their urban and rural communities receive a fair return on their contributions.

"You can't get there from here is actually true in Arkansas," so said Mr. Edward Hass of Batesville, AR, when he testified before our field hearing last year. Mr. Chairman, I truly hope that this year as we consider reauthorizing the surface transportation programs we can render this old saying nonapplicable.

Thank you, Mr. Chairman.

Senator **Cranston**. Dick, do you have anything before we go to the next witness?

Senator **Bryan**. Mr. Chairman, if I might.

I know that you have to excuse yourself for a moment——

Senator **Cranston**. Just very briefly, yes.

Senator **Bryan** [continuing]. And I would be happy to do that while you are gone.

Senator **Cranston**. Good.

Senator **Bryan**. Mr. Clymer, I know the chairman asked you about the Trust Fund balances and the impact that your proposal would have, but let me be clear since I am not as familiar with the mass transit as you are, and we do not have a great deal of it in my great State of Nevada.

Am I correct that in terms of providing public transportation for municipalities in this country, that probably no system in the country can operate simply based upon the fare box revenue that is generated by passengers who pay?

Mr. CLYMER. That is correct.

Senator BRYAN. So we would have to assume that in order to have a system that operates, that it needs some measure of public support? That may vary by percentages depending upon a locality, but it requires some subsidy from the taxpayer generally?

Mr. CLYMER. That is correct.

Senator BRYAN. And that obviously can be done either at the local level, or the State level, or a metropolitan level, or the Federal level?

Mr. CLYMER. Yes.

Senator BRYAN. Now the proposals that the administration offers for our consideration proposes an annual funding level of what, about $3.3 billion?

Mr. CLYMER. Yes.

Senator BRYAN. Is that right?

And as I understand the thrust of the proposal, you would in effect end General Fund support of the transit program?

Mr. CLYMER. Yes.

Senator BRYAN. And that presently amounts to what? About $1.7 billion?

Mr. CLYMER. $1.9 billion.

Senator BRYAN. $1.9 billion, excuse me.

The Trust Fund balance I believe in Senator Cranston's question that he asked, he had a figure of $4.1 billion.

Is that roughly——

Mr. CLYMER. Of?

Senator BRYAN. That the Trust Account I think, uncommitted funds at the end of 1991, was his question, as I understand it, will have about $4.1 billion of uncommitted funds.

Am I close?

Mr. CLYMER. That is pretty close, yes.

Senator BRYAN. OK. So by eliminating the operating subsidy, if you will, you are going to have to eat into that Trust Fund balance?

Mr. CLYMER. Well, it is not eliminating the operating subsidy that is eating into the Trust Fund balance.

It is the fact that we are shifting the entire program that was formerly funded with approximately $1.1 billion of Trust Fund dollars and $1.9 billion of General Funds, all of that into the Trust Fund.

So the elimination of operating expenses—operating expenses is not a distinct and discrete program.

Operating expenses is the capability to use our formula 9 program for operations, as opposed to capital.

We just give our grantees the ability to use some of the capital funds in certain areas, up to certain operating caps, the ability to use those funds.

Those funds are still there.

We have not changed that. We have changed the source of funding of those funds from General Fund to Trust Fund.

Senator BRYAN. Yes, that——

Mr. CLYMER. I am sorry if that sounds confusing.

Senator **Bryan**. That sounds somewhat disingenuous.

In effect you are eliminating, are you not, $1.7 billion of General Fund support?

Mr. **Clymer**. That is correct.

That is correct.

Senator **Bryan**. And if you are doing that, in effect then you are going to have to eat into the corpus, the residue, the balance, whatever you call it, of that Trust Fund.

You have to spend those balances down. Is that not correct?

Mr. **Clymer**. That is correct.

That is what Congress, and the Governors, and the transit people have been asking us for the last year-and-a-half.

Senator **Bryan**. Mr. Chairman, I can speak as a former Governor.

We wanted you to spend the Trust Fund balance down. We did not want you at the same time to eliminate the General Fund support for the program.

That was certainly not what the request was.

And to the extent that here in Washington that was interpreted to be the request, I think there was a miscommunication.

But if you are going to have to spend those Trust Fund balances down, ultimately you are not going to be able to support that program at its present level without a new revenue source.

Is that not fair to say?

Mr. **Clymer**. I think that is fair to say, for the very long term.

I think in looking at it, given the balance that it will get down to by 1996, and given the interest that will accrue on the cash balance, which will be a $8 or $9 billion amount, that we could sustain the current level almost through even a second authorization.

Senator **Bryan**. But I mean there comes a point in time, if you are looking at this long term that you are going to have to look to another funding source to keep the program at the level in which it is being authorized under this proposed——

Mr. **Clymer**. That is correct.

Senator **Bryan**. What sources of revenue are you suggesting?

Mr. **Clymer**. Well, we are not anticipating future authorizations.

Our proposal has been based on this particular authorization and the availability of those funds during that time.

Senator **Bryan**. Generally a transit program, as I am sure you will agree, Mr. Clymer, is not something that you can turn off and on like a spigot of water.

I mean, you have a substantial infrastructure that is involved there.

There are programs that have to have some long-term stability.

Would you not concede that there has to be at least some thought as to how we are going to handle the financing and operation of these systems if we are going to eliminate a major source of revenue—namely, the General Fund appropriations of the past.

Mr. **Clymer**. I think there is no doubt that at some point we would be looking for additional user fund fees to cover those costs.

Senator **Bryan**. Now are you suggesting that the Federal Government may come up with some other program to assist the municipalities and urban centers?

Mr. CLYMER. No. I would anticipate that it would be done under this program and funded by user fees.

Senator BRYAN. I am familiar only with what I have seen in the newspaper with respect to the Metro system here in Washington, but I mean every article I have read, every comment I have heard is that you have a limited amount of elasticity.

That is, if you increase the fare, the charge, that it affects ridership and overall revenue.

Would you not concede that you reach a point in time that you just cannot push those fares up without seriously affecting the ridership?

Mr. CLYMER. Oh, I think that is always possible.

Senator BRYAN. Well is it not more than just possible? Is it not true?

Mr. CLYMER. Yes. Every time you go through a fare increase of any kind, there is some kind of elasticity loss in ridership. Sometimes the ridership comes back, and sometimes it does not.

If you look at the system here in Washington and the agreement that was reached between the administration and Congress last year, they agreed to an increase in local match from a 20-percent local match up to almost a 40-percent local match, 37.5 percent.

I would not anticipate and have not seen fare increases yet that would accommodate that kind of a match.

It is anticipated that they will come up with it locally from some other source.

Senator BRYAN. Has your agency done any kind of projections in terms of what kind of increases could be imposed at the local level that would not seriously affect ridership, and the operational continuity of the system itself?

Mr. CLYMER. Well, Chairman Cranston asked a similar question and we allowed as how we would provide some information for the record.

Senator BRYAN. Now the administration also proposes, does it not, to eliminate the increase in the gas tax that the Congress approved last year?

Mr. CLYMER. To?

Senator BRYAN. To eliminate that. To let that expire at the end of I think it is 1995.

Mr. CLYMER. Well, I think we have to make that assumption given that that is the way Congress intended it. We cannot presume that Congress will continue the tax at that time.

Senator BRYAN. Does the administration have a position as to whether that ought to be continued or not?

Mr. CLYMER. I don't think we have taken a position at this time.

Senator BRYAN. Well my concern frankly, Mr. Clymer, and our State is a small State of 1,300,000 people.

Probably the largest metropolitan area would be about three-quarters of a million.

But I just do not know how in the world, with the kind of problems that plague major metropolitan communities in this country, particularly on the east coast where they face every conceivable problem of urban decay, declining and eroding tax bases, increases in numbers of people who are economically disadvantaged and who cannot provide much in terms of a revenue base, I do not know how in the world these cities can continue to provide the kind of transportation system, which I think makes sense not only in terms of providing access to those who are disadvantaged to get to and from prospective work, but in terms of easing the problems of pollution which relate in part, as you know, to automotive transit in and out of cities, and a whole host of problems.

It just does not strike me that this is really much of a long-term focus on the problem, and I would like to hear your response.

You obviously have given a lot of time to this.

Mr. CLYMER. I think cities not only can do it, they are.

I think if you look back, especially at the capital funding back 5 or 10 years ago, that was put up was that required to match the Federal dollars—it was the bare minimum; what we are seeing now in the capital area is that these local areas are putting up more than the Federal Government is in total.

Areas are coming up with greater funding.

We can look at California, southern California's $5 billion program; or the billion dollar program that Chicago has put in; or the multibillion dollar program that New York has.

Areas are coming up with local and dedicated funding for transit.

Houston and Dallas all have programs as does Portland, to put in greater support for transit.

We are not providing as much of a percentage of the total transit need as we were in the past due to this greater local commitment.

Senator BRYAN. Notwithstanding the fact that they have come up with some additional money in recent years, you think that they can still come up with more because they are going to have to offset the loss that ultimately will occur without the General Fund support of the transit program? You think they are going to be able to do that?

Mr. CLYMER. Well, it is not a "loss of support," it is simply a shifting of where we fund that support.

We have not proposed a cut in dollars. We have actually proposed an increase in dollars.

So the dollars are still there.

There will still be dollars going to the local providers actually in excess of what we are providing right now.

Senator BRYAN. But that will not be for General Fund support of the transit program, will it?

Mr. CLYMER. Well, it is the same program, whether it comes from the General Fund or from the Trust Fund, it is still going into our formula 9 program which provides the same support.

Senator BRYAN. I do not want to get into a quarrel with you, but you are telling me in effect that the Trust Fund is going to have to be spent down in order to maintain the proposed levels that you are contemplating here in this reauthorization.

Is that not true? And you say that is what the Governors want——

Mr. CLYMER. Well, I am not saying it has to be. Certainly there——

Senator BRYAN. But is that not the consequence?

Mr. CLYMER. There are always options.

I think it is desirable ultimately to get transportation funding onto user fee-based funding and onto the Trust Fund just for the purpose of making it a more stable resource into the future.

Senator BRYAN. I know that the chairman of the full committee is here, so I am going to turn—but you said earlier in our colloquy that you responded that the Governors urged the spending down of the Trust Fund and this does that.

I thought I understood you to acknowledge that by reason of the absence of this $1.7 billion which is currently provided to the transit program, that in order to keep it at the same operating level that you would have to eat into that Trust Fund balance and you thought you could do so through the first reauthorization period, and maybe even to the second.

I thought that was your testimony.

Mr. CLYMER. That is correct.

Senator BRYAN. Thank you, Mr. Chairman.

Senator CRANSTON. Thank you.

Chairman Riegle, we are delighted you are here.

Do you have any questions, comments, or statements?

OPENING STATEMENT OF SENATOR RIEGLE

Senator RIEGLE. Thank you very much, Senator Cranston.

I am glad we are off to a good, strong start on the mass transit issues.

I know how strongly you feel about them, as do I, and the whole committee of course shares that view.

I want to say to Bryan Clymer that I appreciate the leadership that he is giving.

This is an important, difficult, and complex area of work and I know you are working hard at it.

So I look forward to having a good relationship particularly during this year as we get this legislation crafted.

I have some of the same concerns that you have just heard from Senator Bryan.

That is, that I am concerned about how you propose to fund the mass transit program, and the fact that we are going to be moving exclusively to the Trust Fund, and the problem of what happens when we deplete the surplus, as you were just saying.

It seems to me that we are building in a problem for the future, and we are doing that in a lot of areas.

When I look at the way in which we are responding to a lot of what I consider to be Federal needs, or national needs, we are building ourselves into strategies that only carry us for a little while.

Then there is a dropoff point up the road that I think is going to leave us in a very difficult situation, and I think we have some obligation to see a longer path than that.

We have got to see a longer way to not only lay out our transportation needs in this area in the years ahead, but to make sure that we are going to be able to pay for them and get on a strong track and maintain that.

Yesterday I attended a luncheon where we had the head of the Department of Economics at Harvard University, who as you know is something of a transportation expert, present.

He was going over some of the issues here, and he made the observation—and there are different kinds of tradeoffs in terms of strategy—that buses are probably about as cost-effective a route to go in terms of flexibility in meeting urban mass transit needs than other options.

When you go to fixed rail, it becomes very expensive and your economics are going to start tilting against you, and you can get such a costly capital system going that in the end you have to raise fares to try to cover the costs.

Then you reduce your ridership and you can get caught in a Catch 22.

That is not to say that there are not some areas of the country where the population density is sufficient to really support a pretty expensive fixed-rail system, whether it is above ground, or below ground, or some combination, but the bottom line that he was arguing is that you take into account all of the other ways, of carpools and other ways in which you want to try to move people around, that buses dollar for dollar probably give you the best way to do that.

So putting that concept on the table—and you may agree or disagree—but the administration in this package that you are presenting today has proposed eliminating the bus program from the section 3 discretionary program.

Instead, these capital intensive needs would be funded through the existing section 9 block grant formula.

My understanding is that bus fleet replacement occurs on a 12-year life cycle, and many transit systems purchased buses back in the late 1970's and, as a result, these agencies are going to be faced with large capital requirements to replace their buses.

Now that is just to stay where they are, let alone any possible expansion.

But in my home State of Michigan, alone, we estimate that over 400 buses are going to need to be replaced over just the next 5 years.

Now if funding for buses will only be available through the section 9 formula, can you tell the committee how under the administration's proposal that transit systems that are experiencing significant increases in their capital replacement requirements, and are also under a severe fiscal squeeze anyway—I do not know any municipality that has got extra money to spend these days—how they are going to meet these needs?

[The complete prepared statements of Senators Riegle and Sasser follow:]

PREPARED STATEMENT OF SENATOR DONALD W. RIEGLE, JR.

I would like to begin by thanking Mr. Brian Clymer for coming before the committee today to discuss the Bush administration's proposal for reauthorizing the Urban Mass Transit Act. The act was created to address the problems many cities were experiencing because their public transportation systems were in the state of disrepair. Over the past two decades—largely due to Federal involvement—most of the Nation's mass transit systems have been restored and are contributing to the healthy growth and development of our communities.

The President's reauthorization proposal is a significant improvement from the Reagan administration policies because it recognizes the key role played by transit. However, there are several aspects of the proposal that are troublesome.

First, the administration has proposed fully funding the mass transit program out of the Highway Trust Fund—rather than both appropriations and the Trust Fund. Although the new gas tax promises to generate significant amounts of new revenue, the proposal would require us to dip into the Fund's surplus every year just to maintain current activities. By 1998, the surplus will be depleted and the incoming revenue will not come close to providing adequate funding. We cannot simply say that "we will cross that bridge when we come to it". We need to look beyond today and ensure that our policies do not create problems in the future.

Second, the administration proposes to maintain the authorization level of $3.2 billion, with a slight increase in 1996. This will not be enough to help transit systems meet the demands imposed by the recently enacted Americans With Disabilities Act and the Clean Air Act—nor will it provide the resources to meet current capital and operating assistance demands.

Third, I have concerns that the new matching ratios will simply "pass the buck" to States and local governments by requiring them to devote additional scarce resources in order to access Federal funds.

Finally, the proposal to prevent large cities from using section 9 funds for operating costs will impose an unbearable burden on many transit systems.

As this Nation prepares to enter the next century, we need to have the resources required to ensure the vitality of our mass transit systems. As chairman of the Banking Committee, I look forward to working with Mr. Clymer and the administration in achieving these goals.

STATEMENT OF SENATOR JIM SASSER

Senator SASSER. I would like to compliment Chairman Cranston for holding this hearing in the Housing and Urban Affairs Subcommittee this morning on the reauthorization of the mass transit program.

I am encouraged that the administration's proposal for the reauthorization of the Urban Mass Transit Act is a notable departure from the past proposals which severely decreased the Federal Government's role in the Nation's mass transit system.

As the committee considers the reauthorization of UMTA during the coming months, I believe we should keep in mind the very critical role that mass transit plays in some of our broader national policy goals. The success of the mass transit system contributes to our economy and our quality of living.

I think we all can appreciate the significance that efficiency of movement has on productivity. A well-run mass transit system cuts down on employee time spent commuting, it frees up congestion on our highways and roadways, and gridlock in our cities.

Use of mass transit can cut down in fuel consumption and works toward a cleaner environment. Reducing dependence on single occupancy vehicles conserves energy and helps to meet our pledge in the Clean Air Act to reduce air pollution. It's astounding that 40 to 50 percent of air pollution is due to motor vehicle use.

It should also be noted that public transport is a necessity for many people in this country who wouldn't have mobility without it. The passage of the Americans With Disabilities Act last year confirmed our Nation's commitment to providing access to transportation for the disabled. Public transportation is the only source of mobility for many elderly. In addition, in rural areas public transportation removes people from isolation and brings them closer to jobs and participating in the community and the economy.

In closing, I believe that our goal in the committee is to formulate a well-balanced mass transit bill which meets the mobility needs of our Nation and also recognizes the broader importance of mass transportation on the efficiency of the economy, the good health of our people, and the protection of the environment.

I thank the chairman for holding this hearing today and I look forward to hearing the testimony of Administrator Clymer and the distinguished panel of witnesses.

Mr. CLYMER. Let me comment on your earlier point.

You did point out one of the Catch 22's that many smaller systems are finding themselves in in considering bus versus rail.

I think those comments are accurate.

Certainly in dealing with lower numbers of people, buses are more effective than rail.

When you reach a certain break-even point, a certain density, then there are economies of scale that make rail a more cost effective way to go.

You mentioned carpools and vanpools as methods of transportation.

All of these we certainly consider as forms of mass transportation.

We are faced with congestion problems in this country that simply building is not going to solve.

We may have some 16 to 18 billion transit rides a year, but we have got 3 trillion automobile rides.

That is going to be a fact of life.

We are not going to build our way out of it either by just building bus systems and figuring that that is going to take over, or even building more highways.

We are going to have to manage our way around the congestion problems.

I think management is one of the key watchwords that we all have to take into consideration.

We do not want to eliminate, per se, the bus discretionary fund.

What we have done is to wrap that into the formula program as a whole.

In the past, probably the major problem that we had in our bus category, and in the bus program through the formula 9 program, was in a cutting back of the formula dollars.

This was especially felt in the suburban and rural areas.

As the formula program ratcheted down, areas that had sufficient dollars to first meet their operating assistance cap and then go beyond that to provide for some capital needs on a current basis, and some of them even carry over capital to address some of their longer term needs, first lost that carryover capital.

That has been eaten up over the years, and some have lost the ability even for their short-term capital needs, and now some of them cannot even meet the operating assistance cap.

This is the problem that we are seeking to address by an increase of the formula program.

As a result of that problem and that ratcheting down, what has happened in our discretionary bus program, which has been relatively small, usually in the neighborhood of $100 to $130 million a year, is that there has been incredible pressure within that account.

Last year the demand was almost 4 to 1 for the funds.

As a result of that, and as a result of the needs for clean air and serving Americans with disabilities, we requested in our 1991 budget that the other category be merged into the bus category.

The Senate took the lead in seeing that that happened, and we are truly grateful for that.

That gives us a $220 million category for this current fiscal year.

The problem is, the demands in that category just far exceed what we have the ability to meet.

What that does then is it puts it on a discretionary basis.

That means that all those areas, both suburban and rural, have to come in and compete with the large urban areas for those bus categories.

We felt that, rather than put them in that position, rather than put ourselves in that position, it would simply be much fairer if we were to distribute that money equitably.

So we are not proposing an elimination of that account, but rather a wrapping of the bus category into the formula programs, so that those moneys are distributed equitably to everyone around the country and they can make their long-term plans accordingly based on a more stable resource and an understanding of what is coming in.

Senator **Riegle**. Let me ask you.

You are a top professional here, and you work very hard at this.

There are all these constraints that squeeze us into a discipline in terms of the amount of dollars that are being sought here in this area, but I would like you to give a frank answer to us in terms of what our real cost needs are in mass transit in this country say through the rest of the decade.

How much should we be spending a year actually to meet our needs, if we had the money?

Would it not be substantially more than you are asking for?

I know it would be, but the question is: What is in the range of a figure of what in fact needs to be done, as apart from what we think we can afford right now?

Mr. **Clymer**. Our full transit needs, based on our calculation—and we can provide a breakdown for the record which includes everything, new starts, the needs of meeting Clean Air, the Americans With Disabilities, acceleration of the 10-year rail modernization program, materials and supplies for all operators, [illegible] system expansion, and transit planning and research—fall in the area of approximately $7.7 billion a year.

That is not breaking it down between what part is Federal, what part is local, and what part would come from private sources.

Senator **Riegle**. Right.

Now let me understand something.

That $7.7 billion, that meets the needs as you see them? Leaving aside the dollar amount right now, that is not an extravagant—I mean, I take it that is not something that is excessive in a sense? I mean, this is what you project to be what we ought to be doing if we could afford to do it?

Is that a fair statement?

Mr. **Clymer**. It is not overly extravagant.

We think it is prudent in having the staff draft it up. We tried to be conservative in allowing sufficient dollars in the area of Clean Air and Americans With Disabilities, areas that we currently do not have hard and fast numbers to what the needs are going to be, but we know they are going to be considerable.

So we try to be somewhat generous in those areas, but in the other areas, yes, we were prudent and not lavish.

Senator **Riegle**. All right. Now if the figure is on the average of about $7.7 billion a year, then how much will we be providing under this plan as against that projected need of $7.7 billion?

Mr. **Clymer**. Which plan?

Senator **Riegle**. The administration's plan.

Mr. **Clymer**. Well, I think if you look at it in total, we are looking at, in the initial years, approximately $3.3 billion out of the transit program; and, additionally, with access to something in excess of $5 billion out of the Highway Program that would be available if localities chose to make that kind of a transfer; $3.9 billion out of the urban and rural program.

There is a 15-percent transfer down provision that would provide another $1.4 billion that would theoretically be available.

In addition, Park & Rides and HOV lanes could be provided at a 90/10 match out of the Highway National Program.

Senator RIEGLE. Let me do this, and I appreciate the complexity of this.

What happens is it gets so complex that nobody can follow it.

As the walnut shells are going around, nobody can keep track of where the pea is underneath one of them.

What I am wondering is, if you cut through all of the program shifts and everything else, what I want to know and I think what the public wants to know, how big is our projected need out there according to a top professional like yourself on an annual basis?

And how close are we coming to meeting that need with this plan?

Are we going to finance roughly half of what we need? Are we going to end up financing roughly 75 percent of what we need? Where are we going to come in in terms of an actual commitment of resources to meet the need? And what is going to be the shortfall?

Mr. CLYMER. Well, again, our anticipation is that the total need will ultimately be met and, what the Federal program does not provide will be provided at the State and local level.

Senator RIEGLE. But I mean——

Mr. CLYMER. Well, we will provide those numbers——

Senator RIEGLE. But that is not really a fair conclusion in my view.

I mean, I do not think we can just wave a wand and expect that the local units of government are going to be able to come up with resources.

Virtually every major community in the country right now that I am aware of, urban community, is undergoing severe budget cutbacks of one kind or another.

I mean, Detroit is a case in point that I am familiar with.

They are just laying off 300 policemen at the present time. That is just one of several cuts.

There are very few communities that I know of that are not contracting right now in terms of their fiscal situation, and in State governments as well.

So the notion that somehow or another there is going to be a pot of money here where State and local units of government are going to be able to make up the shortfall, I just think flies in the face of the realities that we are seeing.

I mean, do you see something there that I do not see? Is that not the picture?

Mr. CLYMER. Well, first of all, I certainly hope that the current problems of the States—I think some 26 States currently have fiscal problems—are short-term ones.

I think one of the realities of that contracting of the economy at local levels is there is a corresponding contracting of transit systems.

Many of the transit systems are adjusting to either changes in riderships, or changes in the economy, and those decisions will have to be made locally in terms of what they can afford to fund.

I certainly would not expect to see expanding transit systems in areas where State budgets are contracting.

Senator Riegle. But, listen, help me here so I can help you.

It would be my surmise, based on everything I have seen so far on this, that we are probably going to come in at about—we will be lucky if we can scrape together the money from all sources to maybe do half of what we should do.

Now am I off in that estimate? I am talking about a practical assessment of what is likely to happen here.

Mr. Clymer. In terms of the Federal Government providing approximately half——

Senator Riegle. I am talking about the Federal Government or, if we are offloading cost responsibilities on somebody else, their ability to pick it up and carry it.

It just seems to me as if what we are doing here is we are assuming that there are other funding sources that in fact, as far as I can see, do not really exist in any material degree in terms of the size of the need that you have marked down.

I think you have done a very important job in saying, look, from a national point of view this is our requirement. This is what we ought to see is what ought to be done.

Not lavish, not extravagant, but it is just good, solid transportation infrastructure for a modernization that is going to compete well.

And your figure is roughly $7.7 billion.

As I am looking at this, I am coming away with the conclusion that we are going to end up marshaling as a society substantially less than that on an annual basis to meet those needs.

Is this not the way you see——

Mr. Clymer. I do not have those figures.

Let us provide them for the record. We will take a look at what is being provided on a State and local basis now versus what we are proposing.

According to data submitted by transit operators under Section 15 for 1989, Federal capital assistance used totaled $2.2 billion, State capital assistance used totaled $622 million and local capital assistance used totaled $728 million, for a grand total of $3.6 billion. This is just about equal to our estimate of the amount needed to recapitalize the existing systems.

Our estimate for "full needs" of about $7.7 billion includes about $1.0 billion for New Starts, $1.48 billion for materials and supplies for all urbanized areas, $0.2 billion for planning and research, as well as a basic capital need of $5.0 billion which includes the funds needed for accelerating the rail modernization program, system expansion and the costs of ADA and the Clean Air Act. We believe that our proposal will provide sufficient capital funds (about $2.5 billion, not including New Starts), together with the required local match (about $1.6 billion), to meet most basic capital needs, excepting the wish list of New Starts.

Senator Riegle. I think, too, just to finish—I do not want to take more than my time here—but the notion that people are going to yank money out of their highway needs, which is another pressing part of the transportation system requirement, to shift it on over into mass transit I think also is not a realistic assumption.

In other words, I do not think we can spend the same dollar twice.

Or I do not think we can take two sets of needs and sort of spread the money across, an inadequate amount of money across two different needs and say, well, that takes care of that problem.

I guess the bottom line is that what we have got to decide is how critical a modern transportation system is to the country, where mass transit fits into it, what we need to do to gear ourselves to be a nation that can move, and get to work, and get home, and produce, and do the things that have to be done.

And then we have to make sure that once we have mapped out that need by professionals like yourself that know as much about it as anybody that is alive, that we then undertake, if we want to operate at a high level of performance, we have got to get the resources in a sufficient amount to meet that need and go and get it done.

I do not see us doing that.

I see us outlining the need and then scaling it down to fit into a very constrained fiscal situation that is a very tough reality but does not end up letting the country meet its needs.

That is my concern, because in the future our aggregate performance is going to depend upon how well we met the needs.

If we did not do it in the transportation area, we are going to come up short.

It is going to cost us in other ways. I mean, I think this is one area where you can be penny-wise and pound-foolish.

If you do not have modern, up-to-date, efficient infrastructure in place that lets the system work, the economic system work efficiently, then you are going to have a shortfall in your economic performance.

So in a sense, you get a return from an intelligent investment and in an efficient economic system.

This is one area where it matters. People sitting out on expressways is just measure of that, but also just the shear cost inefficiency of some of the absence of mass transit systems that could be put in place in certain places that would help us be able to move our people around.

In any event, I have taken all the time I should.

But I would hope that we could sort of keep our eye on the question of what our national needs are.

I think what the public wants is, they want that job done.

They want it done efficiently and cost effectively.

I think they are prepared to do their part in seeing that it is done.

I do not think they want to be flim-flammed where they are given the impression that we are doing it when in fact we are not.

So that we are on a downhill spiral, and people find that the system works less and less well for them and wonder why.

Thank you, Mr. Chairman.

Senator CRANSTON. Thank you very much, Don and Dick.

I think we've finished, for the moment, with you.

We'll probably want you back soon, to ask you a lot more questions.

Mr. CLYMER. Thank you.

Senator CRANSTON. I look forward to working with you very closely.

Mr. CLYMER. Thank you very much.

Senator CRANSTON. Thanks for being a very, very fine constructive witness. I have a statement for the record from Senator D'Amato that will be inserted at this point.

STATEMENT OF SENATOR ALFONSE D'AMATO

Mr. Chairman, I am pleased to welcome the witnesses to today's hearing on the reauthorization of the mass transit programs. I would like to thank the Administrator of the Urban Mass Transportation Administration, Brian Clymer, for attending this morning. I am also glad to see a representative from my home State of New York, Peter Stangl of the New York State Metropolitan Transportation Authority.

As the ranking member of the Banking Subcommittee on Housing and Urban Affairs, I will work on a bipartisan basis to reauthorize the transit programs which expire on September 30. It is a reality that fiscal constraints are staring us right in the face. But, our infrastructure needs have been greater. It is critical time for transit.

APTA's 1990 survey tells it all. Seventy-five billion dollars in total capital funding is needed just to keep pace with the public transportation needs over the next 5 years. The administration proposes only $16 billion over these 5 years. Our most important goal must be to pump more money into our mass transit infrastructure.

In 1982, I wrote legislation that set aside one penny from the gas tax revenue and dedicated it to a special mass transit account of the Highway Trust Fund. Last fall, Congress authorized a new 5-cent gas tax [effective 12/1/90]. Two and a half cents went for deficit reduction. Two and a half cents went to the Highway Trust Fund of which one-half cent is dedicated to the mass transit account. This additional one-half cent will yield an average $600 million a year to the mass transit account over the next 5 years.

I believe that Congress made a commitment to our infrastructure by increasing funds available for investment through the Trust Fund. Congress should now follow through and allow that money to be spent out of the Trust Fund. I will work toward that goal during the reauthorization process.

In addition to the need for resources, the committee will look at current versus proposed programs. I want to caution right up front against the assumption that major changes are necessary in our transit programs. You've heard the old saying: "IF IT AIN'T BROKE, DON'T FIX IT!"

Well, the Federal mass transit programs are not at a crossroads as are our Nation's highway programs. We don't need to change for the sake of change. In fact, what I have heard is a basic satisfaction with our current programs. Fine-tuning of our current programs may be more appropriate at this time.

I look forward to hearing the testimony and discussion from our many participants.

Thank you, Mr. Chairman.

Senator CRANSTON. We now go to our second panel, consisting of:

Louis J. Gambaccinni, general manager, Southeastern Pennsylvania Transportation Authority;

Wes Watson, director, Florida Transit Association;

Frank Wilson, general manager, Bay Area Rapid Transit District, California;

Peter Stangl, chairman, designee, New York Metropolitan Transportation Authority; and

Gordon Aoyagi, chief, Montgomery County Division of Transit Services, who, I understand, is accompanied by a representative of APTA.

If you'll please take your seats, nameplates are being put before you. [Pause.]

I welcome each of you, the committee welcomes each of you.

I particularly want to say a word of welcome to Frank Wilson who is with us today.

Frank is a national leader of mass transit.

He's also a distinguished Californian who has brought new vitality to the expansion of mass transit in the San Francisco Bay area.

We also appreciate his extensive experience in working within a maturing system at SPTA in Philadelphia.

You've been exceedingly helpful to the committee, Frank, already, in the advice you've given us, with your analysis and suggestions at a number of meetings.

We look forward to your testimony and working with you in the months ahead.

And we look forward to working with each and all of you.

We appreciate your presence.

I want to ask that you limit your oral statements to 5 minutes to allow time for some questions, just summarizing what you consider the key points.

Your written prepared statements will of course go in the record in full.

And I guess we're proceeding in the order in which I introduced you.

So we'll start with Mr. Gambaccinni.

STATEMENT OF LOUIS J. GAMBACCINNI, GENERAL MANAGER, SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY

Mr. GAMBACCINNI. Thank you very much, Mr. Chairman.

I have a raspy throat, so I hope I can get through the presentation and the hearing.

Senator CRANSTON. Well, you ought to be glad about the 5-minute limit, then.

Mr. GAMBACCINNI. Yes.

I very much appreciate the opportunity of addressing the committee on the reauthorization of the Surface Transportation Assistance Act.

And I will keep my remarks brief.

You have a longer statement in the record.

I'd like to hit just some of the highlights in that testimony, and conclude with a general statement based on what I've heard so far this morning.

We, in the transit industry—and this is my 30th year in the transit industry—looked forward to this year with a great deal of anticipation.

The near completion of the Interstate Highway System, we believed, afforded a major opportunity to reorient our national transportation policy and transportation direction, to be far more sensitive to the current problems of clean air, the evolving demography of the country, emphasis on competitiveness, productivity, congestion, and the like.

What we found in the unveiling of the administration's proposal was a great disappointment and, in many ways, a bad dream.

For decades, since World War II, we have gone to great lengths to accommodate the relentless, voracious appetite for increased vehicle miles traveled, and we've fed that appetite in every possible way.

We've stunted the growth of transit.

We did, in fact, start a positive course for transit back in the 1970's.

It stabilized the loss of ridership, began the process of repairing and improving transit systems.

But for the last 10 years, there's been a rapid decline in support of transit.

The administration's proposal gives the illusion of a slight increase in funding when, in fact, it is cynical in the extreme.

Because it proposes, as was noted this morning, earlier, to spend down the Trust Fund, eliminate the General Fund, eliminate operating assistance, and virtually dismantle the Federal interest in transit 5 years out.

It's significant to note that 10 years ago, the ratio of highway funding to transit funding at the Federal level was 2 to 1.

It is now 5 to 1.

At the end of the 5 years, it'll be 6 to 1.

And, assuming the lapse of the one-half cent tax for transit and the spend down of the Trust Fund, it will be 8 or 10 to 1 at the end of that period.

I can't imagine anything more a disservice in dealing with almost all of the most vital national criteria and indicators with respect to imported oil, air pollution, congestion, and all the critical factors.

The source of funds would, as I indicated, wipe out the General Fund.

There is no hint, indeed, I think it's rather cynical that the intent is to cancel the one-half cent and, in effect, to reduce from the nominal $3.3 billion back to a $1 billion level.

We don't think that this at all serves the country well, and we believe that it's a certain program for continued reliance solely on the automobile.

The matching ratios are even more dramatically biased.

At a time when we have heard rhetoric out of Washington about level playing fields and flexibility in funding between highway and transit, the matching ratios go even further in assuring a bias toward decisionmaking that would see the continued selection of highway projects over transit projects.

For new construction, 90/10 to complete the Interstate System; 50/50 for new construction in transit; 75/25 for highways; 60/40 for transit.

Significantly, the only part of the highway program that is made even or on a level playing field with transit is that part which did not make it into the National System of Highway—or the highway system of national significance.

It's undoubtedly the most stressed and underfunded part of the highway program.

We believe earnestly that the matching ratio should be the same.

It should indeed be a level playing field.

That the rate of growth of highway funding should be no greater than transit.

And even if it were at that point, it would still continue a bias and a substantial gap in favor of highways.

I'd like to just conclude, and not contained in my testimony, but reacting to some of the discussion I heard from the committee.

I think a couple of the committee members were right on target in questioning Mr. Clymer.

In fact, the Federal approach to this bill has no focus whatsoever on bona fide needs out there.

When the questions were first raised by the Draft Policy Statement a year ago, OMB instructed the administration, or that is, the representatives of DOT, not even to talk about the needs.

There has been no consideration of the capacity of State and local governments to bear the offloaded burden.

There is not even a hint of a contract between the Federal Government and State and local on what the appropriate shares should be to meet specific needs and specific goals.

The whole process has been driven by the sole preoccupation of cutting Federal funding, and offloading the burden, without any regard to what the consequences will be out there to many, many interests, not only State and local government, vaguely, but the riders, the poor, the inner-city people, as well as the commuters from the suburbs.

Thank you, Mr. Chairman.

[The complete statement of Louis J. Gambaccinni follows:]

United States Senate

Committee on Banking, Housing and Urban Affairs

Subcommittee on Housing and Urban Affairs

Testimony on the Reauthorization of the Surface Transportation Assistance Act

Submitted by:

Louis J. Gambaccini

Chief Operations Officer/ General Manager

Southeastern Pennsylvania Transportation Authority

Friday, March 15, 1991

Thank you Mr. Chairman and Senators for the opportunity to address the subcommittee. At the onset of my remarks, I would like to offer a quote from Winston Churchill. Upon the entry of the United States into World War II, Churchill said: "You can count on the American people to do the right thing; after they have tried every other alternative."

After cuts over the last ten years in the Urban Mass Transportation Administration (UMTA) appropriations of 52% in constant dollars, this nation's public transportation infrastructure is near collapse. Our problems here at home--increasing congestion, stagnating productivity, poisonous air, and dependence on imported oil--require the same sort of focus and sense of national purpose we brought to solving the problems in the Persian Gulf. The Administration's proposed highway-transit bill will exacerbate those problems through continued reliance on the traditional alternatives the federal government has opted for every year for the last thirty years.

With the completion of the interstate highway system, Congress has a once in a generation opportunity to do the right thing: focus national transportation policy on the safe and efficient movement of people, not of the single-passenger automobile.

In reviewing the President's proposed reauthorization of the Surface Transportation Assistance Act (STAA), I will concentrate on two specific aspects: the proposed elimination of operating assistance and the suggested alterations to the rail modernization program. Beyond criticism, I offer suggestions on how Congress can write a STAA that will set this nation on the path we must follow in order for the next century to be the second American century.

Operating Assistance:

The Administration proposes to eliminate operating assistance to transit systems in urbanized areas with populations of one million or more. For systems in urbanized areas under one million, the Administration would allow Section 9 money to be used for materials and supplies. If the amount of capital dollars a system spends on materials and supplies does not equal its Fiscal Year 1991 federal operating grant, UMTA will then grant the system an operating subsidy to make up the difference. Grantees in smaller urbanized areas are thus essentially held harmless. Operating subsidy for rural systems continue unchanged.

The Administration justifies this policy, which converts operating subsidy into capital subsidy, as reverting the federal government to its proper role as financier of transit capital projects. They contend operations decisions are local in nature, and thus operating subsidies should come from only state and local governments.

For most large systems, the portion of operating revenue from federal operating grants is small. For systems operating in smaller urbanized areas or rural areas, the portion is far larger. The Administration says that its proposal protects smaller systems while asking large systems to make only minor adjustments.

But what are these minor adjustments? The Administrator of UMTA is fond of citing my system as a case study. The federal operating subsidy to SEPTA amounts to 4.1% of SEPTA operating costs.

In FY '91, SEPTA received a federal operating grant of $27.4 million. What would be the small adjustments we would have to make if we lose this money in FY '92?

Could other governmental entities pick up the tab? The City of Philadelphia is in severe fiscal crisis. The City is already eight months late in paying SEPTA its first quarter operating subsidy for this fiscal year. The Governor of the State of Pennsylvania, facing a $1.5 billion budget shortfall, proposed to decrease state operating assistance to SEPTA by $60 million. Neither state government nor local government seems to hold any promise for increasing operating subsidy to cover the loss of federal assistance.

That leaves service cuts and fare hikes. SEPTA, however, already has the highest base fare in the nation. To close a $27 million gap, fares would have to rise 15%.

What would the impact of such a fare increase be? Ridership on the system would fall 3 to 4%, the hike forcing people off environmentally-sound and energy efficient transit and back into cars. This holds true for transit systems throughout the nation.

Is this how the federal government wishes to help cities meet air quality standards set in the Clean Air Act?

In early drafts of the Administration's reauthorization proposal, the Department of Transportation proposed to open up Section 9 capital grants for transit systems in all urbanized areas for use on materials and supplies. From leaving the Secretary of Transportation's hands to flowing from the President's lips at the unveiling on Wednesday, February 13, 1991, this proposal was changed. What stood between these two points was the President's Office of Management and Budget (OMB).

Why does OMB wish to eliminate operating subsidies for transit systems in large urbanized areas? It has nothing to do with philosophy, as operating subsidies remain for smaller systems.

I believe it has to do with expedient accounting chicanery and it has to do with politics.

By converting the operating subsidies currently paid to transit systems in urbanized areas with populations greater than a million residents into capital grants, the Administration can propose to sustain budget authority for UMTA at $3.3 billion per year and still reduce outlays, the actual spending on transit, by $529 million per year.

This is because operating subsidies are appropriated and spent in the same fiscal year, but appropriated capital grants are spent over many years. Only approximately five percent of capital budget authority becomes outlays in that fiscal year. The rest is spent increments over the successive years.

This fact casts the Administration's claim of a 2% increase in federal spending on transit in a different light. In fact under the President's reauthorization proposal, federal outlays for transit would decrease in FY '92 by over $500 million dollars, a 12.5% cut from FY '91.

In addition, OMB decided for political reasons to eliminate operating assistance for only the large transit systems. By isolating large systems, the Administration is hoping to split the transit lobby, large systems fighting small systems. Let me assure you the entire public transit industry has recognized and been disgusted by this ham-fisted attempt at divide and conquer politics.

If the Administration as a matter of principle believes that the federal government should not be in the business of providing direct operating support for transit, it should revert back to the Department of Transportation's original proposal and back away from accounting trickery. Alter the definitions section of the Urban Mass Transportation Act to allow all Section 9 grantees to use federal dollars for materials and supplies.

Rail Modernization:

The second topic I must address is the Administration's proposal for the rail modernization program. The Administration would shift the program from discretionary Section 3 to Section

9, and distribute it by the rail tier of the Section 9 formula. The rail modernization program would be available to all transit systems with rail.

The historic purpose behind the inception of the rail modernization program in 1964 was to repair and restore rail systems built without federal subsidy before the 1964 creation of UMTA, to bring conditions of old rail systems in Chicago, New York, Boston, and Philadelphia up to the level of those of new rail systems built with UMTA assistance.

The extent of disrepair facing the old rail systems is far more broad, deep and complex than the routine replacement needs confronting new rail systems.

This purpose has yet to be met.

Under the new formula, SEPTA's share of the rail modernization program would fall from 12% to 7.9%. Despite the increase in funding for the program that the Administration includes, SEPTA would lose over $10 million per year in critical rail capital assistance. The federal government would cut these funds at the same time a 5-mile elevated section of the Market-Frankford Subway that carries 160,000 riders per day nears the breaking point due to lack of funding for rehabilitation.

It is instructive to compare the rail modernization program to its historic, discretionary parallel, the new start program. In the 1980s, the new starts program subsidized rail passengers of new start recipients that operated rail at a 20-to-1 ratio compared to the subsidy the rail modernization program provided its rail passengers.

As a matter of principle, the rail modernization program cannot be opened up to all rail systems. Congress must preserve a core program, perhaps $500 million, for the eight traditional rail modernization properties distributed by historic share. Perhaps dollars above this amount could be available for routine maintenance of all rail systems.

Level playing field:

Essential to a reauthorization bill that focuses national transportation policy on the safe and efficient movement of people is that policy establish a level playing field between modes. National policy and the flow of federal funds can no longer be slanted toward the construction of highways and roads for the automobile. It is on this test of a level playing field that the Administration's proposal fails most miserably.

As I mentioned earlier, the Administration, contrary to its rhetoric, would actually reduce federal outlays to transit during the five year reauthorization period. The Administration would authorize a woefully inadequate $3.3 billion per year for UMTA. Merely placing UMTA on the level it was at in 1981 adjusted for inflation augers $6.5 billion in budget authority.

In addition, the Administration would continue to widen the ratio of federal highway to transit spending. That ratio slid from 2-to-1 in 1981 to 5-to-1 now, and the Administration would continue the shift to 6-to-1 in 1996 and 8-to-1 in the out years. In light of this nation's economic, energy and environmental goals, this continued tilt toward highways is indefensible.

The Mass Transit Account of the Highway Trust Fund must be spent down, but not by substituting trust fund dollars for general fund dollars. The Administration has a budgetary train wreck built into its proposal for transit.

Once again this is the work of OMB which decided that the Mass Transit Account should fund even Section 3, which DOT planned to finance with general fund revenues. The Administration would allow the five cent per gallon 1990 gas tax increase to expire in 1995, leaving transit with only the penny adopted in 1982. By 1996, the Mass Transit Account will be exhausted. A $3.3 billion UMTA program will be left to exist on the one billion a year raised by the transit penny. To sustain the program, UMTA will have to fight again for its share of scarce general fund revenues. The Mass Transit Account balance must be spent down without a decrease in general fund support.

The Administration's highly-touted flexibility program is a sham, the most blatantly pro-highway, anti-city portion of the proposal. First, while the entire federal mass transit program is available for highway projects, only one-third of the highway program is available for transit projects. Second, the matching ratios for a majority of the highway dollars, the over $10 billion slated for interstate and national highway system programs that are geared in favor rural construction, are far more generous than those for the transit program. Equal matching ratios are key to a level playing field between modes.

Third, the highway program that transit can tap into, the roughly $5 billion new Urban and Rural Program, is probably the most inadequately funded portion of the highway proposal. As the sole source of funds for urban roads not included in the national highway system, states will covet these dollars. Finally, state departments of transportation would have to apply to the Federal Highway Administration in order for highway dollars to finance a transit project. Most state DOTs are exclusively in the highway construction business. What incentive would they have to spend highway dollars on transit?

For authentic flexibility, Congress should create a separate program with funding for transportation projects in urbanized areas with more than one million people. At the control of regional elected officials and planners, funds from this program could finance either transit or highway projects.

Finally the $50 million per year in Section 3 for implementation of the Americans with Disabilities Act of 1990 (ADA) and the Clean Air Act Amendments of 1990, in addition to other purposes, is sorely insufficient. Pending regulations, ADA's annual costs to my system alone may exceed this amount. This is another case of Washington passing wholly laudable legislation and then taking a powder when it comes time to pay the piper. The Department of Transportation's original proposal had $250 million set aside for these purposes, before review by the clever crew at OMB. Washington must make a significant contribution to the costs imposed by the ADA and Clean Air Act.

Summary:

The completion of the interstate highway system offers Congress a once in a generation opportunity to redirect national transportation policy to the safe and efficient movement of people, not of vehicles. Continued construction and expansion of highways alone will not solve the transportation problems facing this country today, and it are inconsistent with other vital national goals such as cleaner air, energy independence, and a vibrant economy in urban areas. It is time for the federal government to stop ignoring our nation's urban problems and take a positive step to the construction of the next American century.

Senator CRANSTON. Thank you very, very much.

Mr. Watson.

STATEMENT OF WES WATSON, DIRECTOR, FLORIDA TRANSIT ASSOCIATION

Mr. WATSON. Thank you, Mr. Chairman.

We're sort of the new frog in the pond here.

This is the first opportunity that the Florida Transit Association has been able to appear before a congressional hearing, and we appreciate the opportunity of being invited.

My name is Wes Watson, executive officer of Florida Transit Association.

Our association basically represents all the transit in the State that is publicly owned, all the way from fixed route buses and paratransit operations to the one commuter rail that we have.

It's very difficult to say anything that's not going to be redundant, because, including your opening statement, I felt compelled to say "amen" and almost leave at that point.

But specific recommendations and concerns that we have:

We're gratified to see at least a small increase in the administration's proposed funding for the transit program.

This is at least better than we went through in the 1980's in which, in real terms, we lost almost 50 percent in buying power.

We're most concerned about the administration's proposal, which would create an uneven playing field.

While claiming to champion flexibility in the use of funds between modes, it would also create unbalanced Federal participation by mode.

I understood, or tried to understand Mr. Clymer's response to an earlier question about this disproportionate matching ratios.

And I don't mind admitting that somewhere I missed the mental pea under the mental shells there.

I know what shell I want it to be under.

And that is, if one of our major urban areas, Miami or Orlando, tells our State DOT that the road funds that we have programmed in this amount of money for originally a road project may want to put it into a transit project.

And our State DOT needs to be able to say, we'll do that, without having to change the amount of funds programmed to match those Federal funds.

If Miami says, we want to change $5 million into a transit project, the State DOT only has a finite amount of money programmed to match that.

And if they have to increase that match, they are not going to be prone to make that decision.

Another provision is the administration's proposal ending operating assistance for areas of over a million. In Florida, we view this as a clumsy attempt to divide and conquer transit interests, and eventually get the Federal Government out of operating assistance, altogether.

We're in the business of moving people, not pine trees.

It makes little sense to prohibit certain kinds of aid in the areas where there are the most people.

This provision also flies in the face of the alleged local flexibility which the administration says it is attempting to reach.

What you're basically saying is that areas of over a million can spend funds on capital but not operating.

This is the essence of local flexibility in our terms.

We should be able to take these funds in sort of a block grant situation, and apply them where we need them the most.

I have one thing that I would like to address that's not redundant.

And that is, in Florida, we have a situation that is absolutely perfect for high-speed rail.

Our population centers are about 200 miles from one another.

And it's a perfect opportunity to basically serve, if the European experience shows us, as a reliever for a short haul aircraft-type situation.

Unfortunately, the initial proposal, that was actually done in Senator Graham's administration for high-speed rail, originally envisioned under strictly private funding, is foundering at the moment, because it obviously is going to need some kind of public funding, at least for the capital needs.

We're looking at that.

And we may yet indeed put some State dollars into high-speed rail, even if it is public dollars.

We're making that policy decision, probably as we speak.

One of the problems, of course, is that high-speed rail has the ultimate modal unbalance in terms of Federal participation, because there, it is zero.

And certainly an opportunity in the areas where it would be the best mode to travel in, the Federal Government needs to participate in that, or at least afford an opportunity where some kind of fund transfer from road and bridge or aviation dollars can be transitioned into high-speed rail, instead.

Finally, in closing, I'd say that Florida has a commitment to public transportation.

Ten years ago, as I can personally attest, transit in Florida was hardly acknowledged as a mode of transportation at all.

Yet, today, it's seen as a full partner and a vital element in our growth management efforts.

Washington needs to find ways to encourage this commitment or, at the very least, not discourage it with misplaced policies that further the care and feeding of the automobile at almost any cost.

Where a road best solves the problem, build roads.

Where transit can do it better, use transit.

This should be the fundamental premise behind the new authorization bill and what we can support.

Thank you.

[The complete statement of Wes Watson follows:]

florida
transit
association

Divisions:
Corporate
Paratransit
Professional
Affiliate

CORPORATE DIVISION
Broward
Dade
Escambia
Gainesville
Hillsborough
Jacksonville
Key West
Lakeland
Lee
Manatee
Palm Beach
Pinellas
Sarasota
Space Coast
Suwannee Valley
Tallahassee
Tri County
Tri-County Rail
Volusia

TESTIMONY TO THE SENATE SUBCOMMITTEE
ON HOUSING AND URBAN AFFAIRS
HEARINGS ON REAUTHORIZATION OF URBAN MASS TRANSPORTATION ACT

WES WATSON
EXECUTIVE OFFICER
FLORIDA TRANSIT ASSOCIATION

MARCH 15, 1991

My name is Wes Watson, Executive Officer, Florida Transit Association. Thank you for the opportunity to appear before you today and present our position on the reauthorization of the federal transit program.

Briefly, some background on FTA. We are composed of the 18 fixed route transit systems in Florida, plus the Tri-County Commuter Rail Authority. Another division of FTA is the Florida Association of Coordinated Transportation Systems (FACTS) which are providers for the transportation disadvantaged. Basically, FTA encompasses all publicly run transit activity in Florida.

FTA, as an organization, has for the most part focused its attention to the state level. After ten years of hard work this finally paid off when the Legislature last year passed into law a program providing for the state to participate in local transit operating assistance. This was a clear indication that Florida is at last thinking of transportation in terms of providing mobility to people - not just cars.

Rather than citing a litany of details on what we would like to see in the upcoming transportation reauthorization bill, I would cut through by saying that we support the proposals by our colleagues at the national level, the American Public Transit Association. FTA not only supports APTA's recommendations, but was involved in their formulation.

These specific recommendations were provided to Senator Graham, and the committee, at a hearing earlier this year. While the specific items just mentioned would point out what FTA would also like to see in the new law, I also would point out some of the Administration's proposals with which we have concerns.

However, first, FTA is delighted to see an increase in the Administration's proposed funding for the transit program. This is certainly an improvement over the decade of the 1980's in which real dollars to transit decreased about 50%. While encouraged at the increase in funding, however small, we would point out that while transit funding is proposed to increase by 2%, highways, on a much broader base already, would increase by 9%. In fact, in 5 years transit funding would only increase from $3.2 billion to $3.4 billion, while highways would increase from $14 billion to $21 billion, a ratio of 6 - 1. This ratio of highways to transit funding in 1980 was 2 - 1, or $4.5 billion to $9 billion. We view this trend as inequitable, and not in the national interest because of environmental, societal and energy concerns.

The Administration proposal would also create an uneven playing field. While championing flexibility in the use of funds between modes, it would also create unbalanced federal participation by mode. Roads and highways would receive a proposed federal match of between 75 and 90 percent, while transit would fall to a 60 percent match. The combination of these two policies of "flexibility and unproportional match" is the worst of both worlds. It sends from Washington a clear signal to states and localities, "if you solve your transportation problems using roads and bridges we will help you by 80 percent. If you solve them by transit, we will help you by 60 percent." This proposal is clearly incompatible with a good faith attempt to allow localities to decide for themselves in unbiased fashion how best to meet their transportation needs.

Another provision would end operating assistance for areas of over 1 million persons. We view this as a clumsy attempt to divide and conquor transit interests and eventually get the federal government out of operating assistance altogether. Transit is in the business of moving people - not woodchucks. It therefore makes little sense to prohibit certain kinds of aid in the areas where there are the most people.

This provision would also seem to fly in the face of the goal of "local flexibility." Is this not telling areas of greater than a million persons that they can spend funds on transit capital, but not operations? You may be certain, that ALL of Florida's transit systems, representing ALL population sizes, oppose this provision.

Another Administration proposal is to remove transit from receiving General Funds and funding it from the Mass Transit Account of the Highway Trust Fund. However, there are insufficient recurring funds coming into the Transportation Trust Fund to sustain this policy over the long term. This proposal also appears to be a time-bomb aimed at minimizing future federal assistance for transit.

One specific comment we have concerns High Speed Rail. Florida, with its flat terrain and its large population areas lying approximately 200 miles from one another is ideal for the deployment of high speed rail. Yet, this effort begun in the Administration of Senator Graham in 1984 is, frankly, foundering.

Until recently it was hoped that the project could be implemented without direct public funding, either capital or operating. This hope was maintained even though two potential franchisees representing the Japanese and the French, disagreed, and dropped out of the competition for that reason. However, it is now generally agreed that for the project to be implemented some level of public funding will be necessary, at least for capital purposes.

While Florida wrestles with the policy question of whether, and at what level, to support a high speed rail project, there is the total lack of federal support for this viable, and needed interregional transport system.

Not only would high speed rail serve as a reliever for highways, but based on the European experience, would be a significant reliever for airports as well. Florida will probably not build another major airport. Yet, Orlando's passengers are predicted to go from 18 million this year, to 35 million in 1995. Their airport manager already speaks of an "aluminum canopy", and anticipates great difficuly in handling future ground access demands. It is clear that high speed rail could significantly alleviate these problems. I would urge you to explore every possibility in finding ways that some type of direct federal support for high speed rail could be obtained, in either new funding, or in the potential transfer of funds from interregional highway or aviation programs.

Florida now has a committment to public transportation. Ten years ago, as I can personally attest, transit was hardly acknowledged as a mode of transportation at all. Yet, today it is seen as a full partner and a vital element in our Growth Management efforts. Washington needs to find ways to encourage this committment, or at the very least, not DISCOURAGE it with misplaced policies that further the care and feeding of the automobile at virtually any cost. Where a road best solves the problem, build roads. Where transit can do it better, use transit. This should be THE fundamental premise behind the new bill.

Finally, and in closing, I would say that there is probably little wrong with public transportation that a rational federal energy policy would not cure. An element of this policy would have to be a realization that motor fuel in our nation is grossly underpriced. A gallon of gas in France is $4.37, in Sweden $4.85, in Denmark $4.46, and Italy $4.92. These nations tax their fuels at dollars per gallon. We agonize at increasing taxes pennies per gallon while our transportation infra-structure decays, our federal deficit continues to soar, and our young soldiers are put in harm's way, with a major factor being our dependence on foreign oil.

We would hope that Congress would continue the momentum and good work it did in the recently passed federal deficit package to address and develop a meaningul energy policy.

Thank you, and I would be pleased to take any questions at this time.

Senator CRANSTON. Thank you very much.

And thank you for beating the red light.

Frank Wilson, again, delighted to have you with us.

OPENING STATEMENT OF FRANK J. WILSON, GENERAL MANAGER, BAY AREA RAPID TRANSIT DISTRICT

Mr. WILSON. Good morning, Mr. Chairman, Senator Bryan.

Before I begin, let me thank you for making me feel at home by arranging that little earthquake in Virginia last night. It was a very fine touch. [Laughter.]

With respect to the future of our industry, however, we stand at a crossroads where the signs point to a state of high anxiety.

The administration's crystal ball shows us a vision of liquidation management, loss of operating assistance, loss of General Fund support, and reduction of Federal participation from 80 to 60 percent in the face of burgeoning demands of the ADA, the Clean Air Act amendments, and the vastly undercapitalized infrastructure.

We can expect fare increases, service level reductions, deferral of capital and maintenance investments, and ultimately the downsizing of our service delivery system and, in short, liquidation management.

This is a curse that has been placed not only on our industry, but on the administration's real experts in public transit.

Secretary Skinner and UMTA Administrator Clymer are too accomplished and committed to the success of our Nation's mobility program to have been the architects of such a restrictive plan.

They've earned the reputation of warriors in what has literally become a crusade to develop and preserve the priceless national treasure of public transit.

These are good men, but they can't do it alone.

They need our collective support, given in the form of fiscal tools, motivation, and a mandate to build, rebuild, and sustain transit systems that in effect are the implementing agents of national policies.

Those policies include:

Creating a more hospitable environment;

Diminishing this country's energy appetite; and

Providing equitable access to mobility for America's disabled.

While it's often easy to criticize the work of others, it's not necessary in this instance, because the administration's proposal, on its face, is self-indicting.

I'd like, however, to direct your attention to a few areas that we think will prove invaluable to those of us who are on the front lines of service delivery.

While the central issues will always be funding levels, it is important that we realize that this issue cannot be overstated.

I'd like to direct your thoughts, however, to a limited number of corollary issues that will permit more effective results, regardless of the level of funding that's made available to us.

A moratorium on Trust Fund spending and authorization levels that consistently exceed spending plans represent essentially optical illusions that are assaults on congressional intent and our ability to deliver service.

The preservation of assets of national significance, appropriate spending of Trust Fund balances, and multiyear funding commitments, with the ability to bridge authorization periods, are interrelated principles that we believe are dependent on a single, simple hypothesis.

The hypothesis being that there are legitimate and compelling reasons for the Federal Government to provide support for the Nation's public transit systems.

And that this commitment is a long-lasting one.

This governing philosophy must replace the current mentality which gives a distinct feel that UMTA is in rapid retreat and will be going out of the transit business momentarily.

We need the transit equivalent of a National Highway System.

This program would arise out of a Federal commitment to the long-term survival of these extensive collection of capital facilities that must be modernized and maintained at high standards of safety and reliability.

The scope of this program would reflect ongoing need, and not represent a collection of haphazard projects that merely fit short-term funding limits.

The program should be formula driven, free from bureaucratic tinkering, and delivered to those of us who are accountable for preserving these assets of national significance.

In addition, the rate of Federal participation should be identical to that of the system of national highways.

The role of the Federal Government in supporting major new building programs can be magnified if it offers multiyear funding contracts to support their share.

A multiyear commitment, unencumbered by authorization deadlines, that represents a bankable security to private lending institutions, would have a dramatic impact on our ability to begin and complete major building programs, without the extensive time and cost penalties that are currently associated with UMTA's method of project implementation.

The practice of accumulating a series of annual earmarks over extended periods of time is inefficient use of Federal financing, but it is totally effective at limiting output.

To be able to bridge authorization bills and to provide financial collateral for the multiyear funding commitments, it may be possible to use portions of the Trust Fund balances as an insurance program to protect against default on outstanding obligations, in the event of a delay or, perhaps, a total disappearance of Federal transit funding programs.

This would provide a more productive alternative to the administration's proposed use of Trust Fund balances to replace General Fund support for public transit.

My final remarks come in the form of an endorsement for, and a caution about the notion of flexible use of transit financing.

Briefly put, it's a good idea.

But will it become a good program?

The answer, I believe, is a function of the equity controls that you write into law.

We endorse the concept if it's controlled at the local level, is dedicated to integrated, not modal, solutions to mobility, does not become a zero sum game of winners and losers, and does not give rise to veto diplomacy but rewards highway transit cooperation instead of destructive cutthroat competition.

The Federal funding mix should be constant, regardless of the source of money, or the assessment of relative benefit among the intermodal projects.

We look to Congress to forge a partnership in policy, and to the administration, through the Department of Transportation, to strike a partnership in practice.

However, we need congressional support to strengthen our day-to-day relationship with the administration.

The proposals we have seen so far suggest that the administration would ultimately prefer to become our silent partner, or at least a very sleepy partner.

I implore you to join us in sending them a very resounding wakeup call.

[The complete prepared statement of Frank J. Wilson follows:]

TESTIMONY
FRANK J. WILSON, GENERAL MANAGER
Bay Area Rapid Transit District

Before the

Senate Subcommittee on Housing and Urban Affairs
Washington, D.C.
March 15, 1991

Good Morning. Mr. Chairman and distinguished members of the committee, I am Frank J. Wilson, General Manger of the San Francisco Bay Area Rapid Transit District, more commonly referred to as BART.

At its inception 19 years ago, BART was conceived as a high-tech operation, and considered an upstart intruder in the auto driven culture of California; yet, it has enjoyed continuing local political and financial support.

While it was forged in what could be considered an environment hostile to public transportation, it has matured into one of the most dependable and permanent backbones in the Bay Area's transportation network. The earthshaking events of October 1989, while representing disaster for many of the Bay Area's highway systems, proved to be BART's finest hour.

In that hour, public investment and confidence in BART was repaid with substantial dividends since the commercial survival of San Francisco was a direct function of the vitality of BART.

After our promising beginning and a proud 19 year past, we stand at a crossroads along with many other transit systems in our Country.

As our industry looks to its future and the alternatives available to us in the 5-year period, embraced by the next Transportation Authorization cycle, the signs at the crossroads point to a state of high anxiety.

The view of the future presented in the Administration's Proposal is one of liquidation management. Loss of operating assistance, loss of general fund support, reduction in the rate of federal participation from 80% to 60% and the burgeoning demands we face in the Clean Air Act and the Americans with Disabilities Act of 1991, will most definitely and directly be transformed into increasing fares, reducting in service levels, deferring of capital and maintenance investments and the downsizing of our operating infrastructure, in short -- liquidation management.

A great man once said "Father forgive them for they know not what they do." I would never be so presumptuous as to consider myself a great man, but I forgive and I implore you to forgive Secretary Skinner and Mr. Clymer, our beloved UMTA Administrator -- both of whom indeed know what they are doing.

These men are transportation experts and are considered friends of our industry. However, we fear that they are being held hostage by the budget brats who are offering us the "mother of all budgets," that features laser-like focus on the minimization of the bottom line, when we should be seeking the optimization of and balance among public policies, national priorities and effective intergovernmental partnerships that will equal long-term economic stability and prosperity of the nation.

Men like Skinner and Clymer left to their own devices would have crafted a much more benign and beneficial program. They have come to Washington from the trenches of Chicago and Philadelphia -- the trenches that look like and feel like those in Miami, New York, Los Angeles and San Francisco and other major urban centers across the nation.

Yet while we may be willing to forgive them; we as an industry come here to seek your help in giving them the tools, motivation and mandate to build, rebuild and sustain the ability of transit operating agencies in their challenging mission of implementing national objectives such as:

1. A more hospitable environment,
2. Diminished dependence on foreign energy,
3. A more equitable access to mobility for America's disabled and,
4. Support for the forces of economic recovery through projects and services that promote economic development in urban areas and effective management of growth in suburban centers.

While it is often easy and therefore tempting to criticize the work of others, it is not necessary in this instance since the Administration's proposals we have seen so far -- on their face -- are self-indicting.

I'd like to use this opportunity instead, to ask your committee and the entire Senate to consider a few ideas that would prove invaluable to those of us who are on the front lines of service delivery.

There has already been and I suspect there will be much more debate to come that will focus on the impact of funding levels. Its impossible to overstate the importance of this issue; but I'd like to direct your attention to a limited number of corollary issues that would permit more effective results regardless of the degree of financial support we receive.

These issues are:

1. Ensuring that appropriations more closely track authorized level of funding and that we have the ability to spend the money that is made available.

2. Ensuring a more effective spending plan for the current Trust Fund Balance.

3. Ensuring long-term recapitalization of the transit systems of national significance.

4. Ensuring continuation of federal commitments through multi-year funding programs, independent from the expiration of specific authorization bills and,

5. Ensuring a level playing field regarding the flexible use of federal transportation dollars.

We certainly appreciate the respective roles of the Administration and the Congressional committees on authorization and appropriation in moving the Federal program from broad policy statements to the day-to-day logistics of implementation. Obviously many forces need to be balanced. However a moratorium on trust fund spending and authorization levels that consistently exceed spending plans represent insidious hemorrhaging of financial support and an assault on Congressional intent as well as our ability to deliver services..

To the extent appropriations reflect the full measure of authorizations we benefit from greater predictability, more effective program management and expanded levels of goal achievement.

Transit systems of national significance, appropriate spend down of the trust fund balances, and; multi-year funding commitments with an ability to bridge authorization periods are interrelated principles that depend on a single, simple hypothesis: That there are legitimate and compelling reasons for the Federal Government to provide financial support to the Nation's public transit systems. And that this commitment is a long-lasting one.

Much of the administrative policy and procedural framework surrounding the delivery of funding would have you believe that the federal government will abruptly go out of the transit business.

For to many years, Administrations have pretended that there is no history of federal support, no reason to continue support and no future value to this Country in having strong public transit organizations. They are wrong on all counts.

If you buy the premise of a permanent role in a federal/local partnership dedicated to the long-term vitality of America's transit capability, then we ask you to consider and to act on the following suggestions.

Establish a program patterned after the National Highway System, which calls for a continuing federal investment in support of more vehicle miles of travel over more miles of roadway throughout the Country. We ask you to balance your national priorities of an improved environment, economic development and moderation of our energy appetite with a long-term commitment to the survival of the extensive collection of capital facilities that transit operators across the country must modernize and maintain to high standards of safety and reliability.

This commitment could take the form of a predictable, formula-driven program free from bureaucratic tinkering delivered directly to those who are accountable to preserve our transit infrastructure with the same rate of federal participation as the system of National Highways.

The size of this program should be a function of need where need is defined as those systems that must be preserved to achieve national objectives over the long haul -- and not a haphazard collection of projects that merely fit short-term fund limits.

For those areas around the country like the Bay Area in San Francisco, California; that are feeling strong and persistent pressure to expand the infrastructure a slightly different but equally important partnership should be forged.

In the area of expansion, I believe it is quite appropriate for the local levels of government to take a greater leadership role in financing new systems or extensions of existing systems.

In the Bay Area and indeed in numerous communities in the State of California, voters are taxing themselves for the privilege of choosing to develop transit systems to solve their mobility problems.

BART is the beneficiary of three county sales tax measures, three statewide bond measures and a program of increasing bridge tolls. All of these locally generated resources are dedicated to a $2.5 billion dollar expansion program. The federal component is really the minor ingredient. We are offering a 70% local commitment to attract a 30% federal commitment. The traditional roles are reversed.

In our case and in many others, the federal involvement is more than a matter of money.

The role of the federal government in supporting major new building programs can be significantly magnified if it is able to offer multi-year funding contracts to support their share.,

In any year or period of time when federal funding is insufficient to support all the demands in a timely fashion, a multi-year funding commitment unencumbered by authorization deadlines would permit systems to represent the federal commitment to private leading institutions as a bankable security to enable us to obtain construction financing using the future receipt of federal grants essentially as a mortgage payment to amortize the debt over a period of time that was more comfortable for the budgeteers.

We at the implementation end of the partnership could begin and complete a major program without artificial fits of starts and stops and the abrupt termination of an Authorization Bill. We could avoid costly contractor delays, claims, excessive project administration costs and economic penalties associated with inflation.

To be able to bridge Authorization Bills and to provide the financial collateral for the multi-year funding commitment it may be possible to use some portion of the existing balances in the Transit Account in the Trust Fund essentially as an insurance program to protect against default that would come in the form of a delay or disappearance of federal transit funding programs.

The effect of these measures would be to permit more cities to begin and complete more projects without delays and cost overruns. It would mark a welcomed departure from the current practice of accumulating a series of annual earmarks until sufficient funding is garnered to build the project. A practice which results in an inefficient use of scarce federal financing. And it would provide a more productive alternative to the Administration 's proposed use of the Trust Fund balances to replace General Fund support of public transit.

I am providing a more detailed discussion of this matter, including references to similar federal programs in the highway sector, as part of our written comments for the record.

The final issues I want to address come in the form of an endorsement for and a caution about the notion of the flexible use of federal transportation dollars.

Briefly put its a good idea. In the Bay Area its a great ideas since a federal judge in California's Northern District has placed a moratorium on highway construction ostensibly for air quality reasons.

But whether this good idea ever becomes a good program, is a function of the equity and controls you write into law.

We endorse the concept because it would apparently permit local decision-making in devising integrated, not modal, solutions to local mobility needs.

However, skepticism and caution abound when we learn that the Administration's idea of flexible-use means 100% of transit dollars can be used for highway purposes while only 23% of highway dollars can be used for transit purposes.

Furthermore, transit agencies in many respects remain the step-child in the transportation family. Who makes the decision regarding the disposition of the federal dollar is an awfully critical concern. For example, BART has no representation on the regional planning body. No representation on the State Transportation Commission and minimal influence with the Department of Transportation in California.

I don't believe, as operating agents in the transit industry that we are alone.

Where are the safeguards so that our request for highway dollars as they arrive at the appropriate DOTs, (which in many respects are DOAs -- Department of Asphalt) do not arrive DOA as in Dead on Arrival.

I suggest your version of the new transportation law embraces flexible use and provides those safeguards for equitable access to funding. Perhaps an effective approach to providing flexibility should begin with the acknowledgement that a blending of highway and transit interests over time should stress intermodal project development. Funding in this category could be dedicated to a jointly sanctioned list of projects that stress mobility and not modality. We should avoid the zero some years of producing effective intermodal projects, we can concentrate on enlightened judgements to govern completely flexible investment strategy, rather than resort to veto diplomacy in developing solutions to regional mobility needs.

I have repeatedly referred to the concept of partnership in my remarks because I believe it is in the manner that our relationship has evolved and it will be in this manner that it should prosper in the future.

We look to Congress to forge a partnership in policy and to the Administration, through the Department of Transportation, to strike a partnership in practice.

We need, however, Congressional support to strengthen our day-to-day partnership with the Administration.

It appears from the proposals we have seen from the Administration that they would prefer to become silent or at best sleepy partners. I implore you to join us in sending them a resounding wake-up call.

Thank you.

BART
BAY AREA RAPID TRANSIT DISTRICT
800 Madison Street - Lake Merritt Station
P.O. Box 12688
Oakland, CA 94604-2688
Telephone (415) 464-6000

NELLO BIANCO
PRESIDENT
ERLENE DeMARCUS
VICE-PRESIDENT
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GENERAL MANAGER

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JOE FITZPATRICK
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7TH DISTRICT
ARLO HALE SMITH
8TH DISTRICT
MICHAEL BERNICK
9TH DISTRICT

ESTABLISH
MULTI-YEAR CONTRACT AUTHORITY
PROPOSED AS PART OF
THE MASS TRANSIT REAUTHORIZATION PROCESS

ABSTRACT: The attached paper is the Bay Area Rapid Transit District's (BART) first draft of a proposal to be considered as part of the reauthorization process for creating a multi-year funding mechanism, for new rail starts, which goes beyond the life of the reauthorization bill. The proposal allows for more rapid and efficient use of Federal/state/local resources, debt financing and spreads the limited Federal funds over a long period of time in order to fund more projects and to advance the national priorities of air quality improvement, increased mobility, and economic development without a corresponding drain on the Federal budget.

We have reviewed the current processes used by UMTA (Full Funding Contracts) and have looked at how FHWA finances highway programs. Based on this initial review we have developed a proposal. However, our review of other Federal agency funding processes continues and could result in changes to this initial idea for changing new rail start funding approaches as the reauthorization discussion continues.

PURPOSE: Create a means for funding new rail starts which allows for more rapid and efficient use of Federal/state/local resources and which satisfies the differing needs of both the Federal government and the transit industry.

OBJECTIVES: Develop a funding mechanism which grantees can leverage when negotiating with private financial institutions. The grantee can pledge either its own assets/income and/or the full faith and credit of the Federal government, which will eventually fund the project, as collateral for financing.

Permit Federal funds to be spread over time in order to: reduce pressure on the national debt; allow a greater number of projects to proceed at any one time; and effectively advance the national priorities of air quality improvement, increased mobility and economic development.

Enable project sponsors to implement projects in as effective and efficient manner as possible so that projects can be staged and advanced without costly delays and interruptions, thus reducing overall costs by avoiding delay penalties and escalation.

BACKGROUND: Funding for new rail starts has been an issue - both practically and philosophically - throughout the 1970's and 1980's. In response to Federal concerns about the ever increasing demand for this limited source of funds and the continuing escalation of costs, UMTA developed the Full Funding Contract approach to protect their interest. This mechanism was one-sided and often did not meet the needs of the transit community. In frustration, the transit community had Advance Construction Authority included in the 1987 Surface Transportation Act. Neither of these techniques have been completely successful from either the Federal or grantee point of view.

In an attempt to formulate a new funding mechanism, the Federal Highway Administration contract authority was reviewed to see if the principles included in its mechanism can help provide a basis for devising a solution for flexible mass transit funding.

The following is a brief description and analysis of the shortcomings of these techniques in meeting current objectives

1. Instrument: **Full Funding Contracts (FFC)**

Intent: The Federal government and the grantee enter into a contract for an up-front, firm, specific and finite commitment of Federal funds so that the grantee will have the necessary funds available to construct its transit project over time. This was an administratively developed technique primarily intended to control Federal costs, by forcing the grantee to bear the risk of any cost increase, and which slowed down project commitments, by limiting the use of such contracts to the amount of funds authorized.

Assessment: Forced a grantee to horde money, both in advance and after receipt of a FFC, even if the money was not needed to proceed with the project. Grantees would start securing earmarks even before the alternatives analysis/EIS process was completed, and long in advance of final design in order to put Congressional pressure on UMTA to fund their project. This resulted in a wasteful and inefficient use of scarce Federal and local dollars which directly contributes to the transit industry's poor implementation track record.

Did not envision or support the need for debt financing since the Federal funds presumably would be available when the grantee needed to draw them down. In reality, the funds were often held up in the appropriations process and were not available when needed for drawdown. Projects were delayed and costs increased while waiting for appropriations. Money was not necessarily available since Federal obligation of any outyear dollars identified in the FFC was still dependent on an appropriations bill and Congressional appropriations could be less than anticipated in the FFC in any given year. Thus, payments were spread out, undercutting a grantee's ability to rely on the funds being available when needed. If a grantee were able to advance funds, and avoid the above problem, it could not be reimbursed for debt service, real or imputed.

Protected the Federal government by identifying a fixed dollar investment in a project while forcing the grantee to bear any risk for cost overruns, except for specifically identified extraordinary costs. (At times the grantee was even forced to bargain these extraordinary costs away in order to receive expedited FFC approval.) This feature is sound and acceptable but it either delays project start up until all costs are identified or forces the grantee to bear an unreasonable risk. Should be liberalized by allowing a grantee to identify specific areas of costs, which are beyond their control, as potentially eligible for federal funding. For example, costs associated with mitigation measures which sometimes cannot be known until construction starts.

Limited the number of projects which could be in the pipeline at any one time since the outstanding balance on Full Funding Contracts could not exceed the amount available within the authorization bill.

Summary: A predictable, but not particularly flexible, funding mechanism.

2. **Instrument: Advanced Construction Authority (ACA)**

Intent: Introduced in the Surface Transportation and Uniform Relocation Assistance Act (STURAA) of 1987 to provide a mechanism for the grantee to use its own resources, in advance of Federal dollars being available, and have a guarantee, subject to appropriations, of reimbursement for the underlying expense and debt service, capped by inflation.

Assessment: Tied to the life of the authorization bill so it offers only limited flexibility, which decreases as you get closer to end of the authorization period.

Allows repayment only for debt service up to the amount of inflation so the grantee continues to bear the risk of all other increased costs. If inflation is less than the cost of debt service the grantee must fund the difference.

ACA has typically been used by UMTA in conjunction with FFC and thus the envisioned flexibility has not occurred.

Summary: Has been used infrequently since passage of the bill. This indicates that this may only be a marginally useful tool and presents significant barriers to its execution.

3. **Instrument: FHWA Contract Authority**

Intent: The State has flexibility to advance its own funds for highway projects, with minimal Federal involvement. The key points of that authority are described below in order to determine their applicability to the transit program.

Description: Funds are made available for obligation without an appropriation action.

Authorized funds are apportioned annually and are immediately available for obligation by the State.

Approval of the plans, specifications, and estimates for a project constitute a contractual obligation of the Federal government for the payment of its proportional contribution thereto.

Since contract authority bypasses the appropriations process, the normal mechanism for controlling Federal spending, Congress has required that contract authority be used only when financed from a trust fund, 90% of whose receipts are user related dedicated taxes.

Contract authority is unfunded and a subsequent appropriation is necessary to liquidate (pay) the obligations incurred under contract authority. Actual cash reimbursements cannot occur until they are appropriated. The annual appropriation needed to liquidate the outstanding contract authority is based on an estimate of prior unpaid obligations, plus new obligations, for which vouchers are expected to be presented by the States for payments during the fiscal year.

The FHWA program is a reimbursable program with the State starting the Federal project using their own money; i.e., they provide front-end financing and receive cash for the Federal share of the projects costs as the work is completed; the authorized amounts distributed (apportioned) to the States represents a line of credit upon which States may draw as Federal projects are advanced.

Funds are apportioned either on the basis of a formula or by an allocation using legislatively or administratively determined formulas or criteria.

When new apportionments are made, the amounts are added to the program's unobligated balance of funds from previous years. The availability period is specified in law. If the funds are not obligated by the State during the period of availability the authority to obligate lapses. Funds do not lapse once they have been obligated.

Obligation is the key step in financing; the Federal government must eventually provide the cash to reimburse the States, once an obligation is made. Thus obligation authority is controlled in the budget process. By controlling obligations annually, the program is made more responsive to the prevailing economic policy. Yet, a limitation does not affect the scheduled apportionment or funds upon authorization or the eventual obligation of those funds in that or future fiscal years.

A limitation on obligations acts as a ceiling on the sum of all obligations within a specified time period. The limitation is placed on obligations that can take place within a certain year, regardless of the year in which the funds were apportioned. The limitation is divided among the state's based on each states relative share of the apportioned and allocated funds.

The law provides for a redistribution on August 1 of the obligation ceiling from those states unable to obligate up to their full ceiling to states that are able to obligate more than their ceiling permitted. The distribution and redistribution of the individual state ceilings, however, does not constitute a grant or a retraction of apportioned and allocated sums.

Under the Byrd amendment (pay as you go), unpaid authorizations at the end of the FY in which the apportionment is made must be less than the revenues anticipated to be earned in the following 24-month period. If there will be a shortfall then all Trust funded program apportionments for that FY will be reduced proportionately.

User taxes dedicated to the trust fund and expenditures from the fund are now scheduled to terminate on September 30, 1993.

Summary: Contract authority allows for a more predictable obligation of funds with actual reimbursement occurring over time. However, obligation limitations still serve to slow down the construction process and debt financing is not an eligible cost.

PROPOSAL

An alternative which takes the best features of the existing mechanisms and adds features which would respond to the identified problems is described below. While the mechanism needs to be developed over time, with the input of all the parties, it provides a framework for discussion.

Instrument: Multi-Year Contract Authority

Intent: Allow a grantee to front end the cost of a new rail start project but with assurance that it will eventually be reimbursed by the Federal government for actual costs, including actual costs of debt service.

Description: The authorized amounts in the New Starts portion of the Mass Transit account of the Trust fund would be apportioned annually. A formula for apportionment needs to be developed but one approach is to apportion the funds among all the urbanized areas which UMTA has determined can begin preliminary engineering, based on their proportional share of the total amount of funds needed to complete the new rail starts pending at that time. (The further along in the process that the formula is apportioned, the fewer projects that would be eligible.)

Depending on what stage in the process the formula is apportioned, the funds could either be available for a specified period of time (4 years) or would not lapse. There should probably be some mechanism for reapportioning an urbanized areas funds if they drop out of the process along the way.

Once apportioned, the funds could be used for all phases of a new start project - preliminary engineering, final design, right-of-way acquisition, and construction. However, prior UMTA approval, as currently provided in the 1984 Major Capital Investment Policy, would be required before a grantee could obligate these funds.

Once a grantee had made an obligation for the next phase of the project, the Mass Transit contract authority would not be limited by the life of the authorization bill but rather by the life of the trust fund. In other words, once into a phase a grantee could continue to obligate its own funds, even if current apportionments were not sufficient to cover all obligations and that obligation authority would be provided under the apportionment formula in future years. This would constitute a built in Letter of No Prejudice. Actual reimbursement would be subject to appropriations but the costs would be eligible at that time.

An appropriation would be required to liquidate the contract authority. The appropriations would be tied to the actual cash needed to liquidate previously incurred obligations or could be spread out even further if federal budget policy so dictated.

The legislation would provide that the grantee could be reimbursed for the debt service of any funds it advanced to complete the project. Thus there would be no need to limit obligation authority or make the trust funds pay as you go. The grantee would be assured of eventual reimbursement but would have to be in the position to front-end the costs for as long as was necessary. If a grantee could not afford to front-end the costs, it could limit its obligations to the amount apportioned each year.

In order to provide a control of costs, the legislation could provide for an annual cost estimate to be made by UMTA, in conjunction with the grantee. The federal share could than be limited to the current cost estimate.

Assessment: Spreads out the payment of Federal funds either on an as needed basis or simply over time so as not to compound the Federal debt.

Allows the grantee to front-end the project or to be able to borrow on the full faith and credit of the Federal government.

Summary: A multi-year funding mechanism would:

- Recognize that current methods of funding are inefficient because they delay construction and result in increased costs due to contractor delay claims and overall project cost escalation.
- Increase opportunities for longer term leveraged financing options by utilizing private financial sources to help relieve the pressure on federal sources during construction stages of the project.

* Acknowledge that the gas tax trust fund has a life beyond the funding legislation and allows these out year funds to be used as a tool to take advantage of private financial mechanisms.

* Allow a more prudent use of funds by tying financing to the progress of construction, thus avoiding the current practice of stockpiling funds and moving away from an all or nothing approach to funding.

* Permit more cities to undertake major transit investments at the same time thus addressing air quality and mobility concerns without a corresponding drain on federal funding.

Senator **Cranston**. Thank you very, very much.

I appreciate that testimony.

I want to express my appreciation to Brian Clymer for staying here to hear this.

Often, administration department heads make their statements and leave, and don't pay much attention to what's said here.

And I admire, greatly, your dedicated interest in what's happening here and the ideas that various people present.

We now proceed to Peter Stangl.

We're delighted to have you with us.

STATEMENT OF PETER STANGL, CHAIRMAN DESIGNEE, NEW YORK METROPOLITAN TRANSPORTATION AUTHORITY

Mr. **Stangl**. Mr. Chairman, thank you, Senator Bryan.

I am Peter Stangl, president of Metro North Commuter Railroad, and the chairman designate of the MTA in New York.

I want to state that the MTA is not appearing before this committee with a tincup to continue the status quo.

We have been doing our share over time, and we've been putting our money where our mouth is.

When we first came before Congress a decade ago, to ask for help with our capital program, we said it would take several decades to get us into good shape.

Nine years into that program, we have seen wholesale changes in the MTA.

These accomplishments would not have come about without the support of this subcommittee.

You made a difference at a critical time in our history, and we appreciate that.

But the job is nowhere near complete.

And that makes today's decisions just as critical as those of 9 years ago.

You know, Mr. Chairman, my first reaction to a central theme in the administration's proposal calling for increased funding for a system of highways of national significance, was, what about us?

I submit to you that the MTA is a public transit system of great national significance.

We carry one-third of all transit riders in the country, about 6 million people per day.

Life in our region would be impossible without the MTA's services.

We provide absolutely essential services to this country's leading commercial and financial center.

And if this is not a surface transportation system of national significance, then what is?

This reauthorization of the Surface Transportation Assistance Act offers, as others have said, a rare opportunity, and I think we need to take advantage of that, particularly in light of several trends.

One. We continue to grow more dependent upon imported oil.

This was true even before the Gulf conflict.

It was apparent that price hikes and supply interruptions have done very little to control our thirst for oil.

The Northeast suffers even more because of our even greater dependence upon imported oil.

And that dependence is at the highest point in our history.

A second trend that is of great concern, I think, is traffic congestion.

At one time a concern in our area only during rush hours, it has now evolved into several crush hours of productivity killing gridlock a day.

An estimated 350,000 work hours are lost every day because of traffic-related delays.

The cause of congestion is obvious.

Vehicle miles traveled in our State have increased 15 times, 15 times faster than population.

Last, and certainly not least, in terms of trends, is things such as the Clean Air Act.

The air in the Connecticut, New York, New Jersey corridor is still severely polluted, mainly, again, as a result of the automobile.

In the last two decades of this act, New York City has never been in full compliance with the act's standards.

We really must take a new look at the way we invest funds in surface transportation.

We, in New York, believe the traditional highway solution is really no solution.

That, really, is why we find the administration's proposal so disappointing.

It is business as usual, as if import dependency, pollution and congestion did not exist.

At some point in our future, we really have to confront these facts of life, and we really think we should start doing it now.

All things considered, the administration's proposal is woefully inadequate.

While it has a few short-term positives for the MTA, its underlying principle would be disastrous for all public transit providers and customers in the long run.

It proposes a flat program of $3.3 billion, with very marginal increases.

As others have said, even moderate inflation will eat that up.

And in fact, in real terms, it will fall by 20 percent over the course of this program, while highway funding soars.

Someone else mentioned that over the past decade, the real level of UMTA funding has been cut by 50 percent.

This is certainly not the view being promulgated by the White House which, in its press release, claimed mass transit capital funding will increase by 29 percent.

This is misleading.

The increase in section 9 formula grants comes at the expense of operating assistance for cities over 1 million, and some other things.

Complicating the picture even more, is the fact that $50 million of these moneys would be set aside, annually, for discretionary grants to cover the costs of Americans With Disabilities Act, the Clean Air Act, fleet expansion, and other extraordinary needs.

It just doesn't work.

Our own preliminary, very preliminary ADA costs, that we have estimated, are $125 million over the next 5 years.

I'm also concerned that the proposal would eliminate operating assistance, this is $93 million to New York.

We are facing enormous deficits caused, in part, at least, by the recession-induced ridership declines.

So don't eliminate operating assistance.

Don't put us at a further disadvantage with the matching shares.

And others have spoken to that, and I will not spend a lot of time on it.

The idea of linking highway funding to gas usage is one that continues to baffle me.

I hope it baffles others.

There's got to be a better way to allocate funds.

We are happy that it reauthorizes interstate transfer at a level of $160 million.

This is good for us. We can use those funds over time.

On the question of flexibility, generally, we support flexible funding after basic reinvestment needs are taken care of.

And $3.3 billion only gets us halfway there.

When we reach an UMTA program at a level of $6.5 billion or more, then we can talk flexibility.

We also think that the General Fund money should be restored, it should be used.

And we think that that would get us to a level of at least $5.5 billion.

I want to just mention one other thing, because others have commented on most of the other items.

And that is, and I hope you don't think it's insignificant, it has to do with the proposed dropping of the word "Urban" from UMTA's name.

I understand that both UMTA and DOT suggested "Federal Mass Transit Administration," as the new name.

This would have been in line with the other DOT agencies, such as the Federal Highway Administration, the Federal Aviation Administration, the Federal Railway Administration.

But apparently someone, somewhere thought that the word "Federal" should not be associated with mass transit.

That bothers me.

And I think that, speaking from the perspective of a transit system of national significance, I strongly disagree with it.

If we're going to have a national policy, then it ought to involve the Federal Highway Administration, the Federal Mass Transit Administration.

May I also say that the acronym MTA is spoken for, Mr. Chairman. [Laughter.]

And I want to leave you with that.

So thank you very much for your time.

I'm sorry I didn't beat the red light.

[The complete prepared statement of Peter E. Stangl follows:]

TESTIMONY OF

PETER E. STANGL

PRESIDENT, METRO-NORTH COMMUTER RAILROAD

AND

CHAIRMAN-DESIGNATE, METROPOLITAN TRANSPORTATION AUTHORITY

BEFORE THE

U.S. SENATE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

WASHINGTON, D.C.

MARCH 15, 1991

Mr. Chairman, Members of the Subcommittee:

I am Peter Stangl, president of Metro-North Commuter Railroad and chairman-designate of the Metropolitan Transportation Authority in New York.

Thank you for inviting me to share the MTA's views on the reauthorization of the Surface Transportation Assistance Act.

Before I address the specific points of the Administration's recently introduced proposal, I want to state that the MTA is not appearing before this Subcommittee with a tin cup, pleading just to continue the status quo. We have a thoroughly researched, well-planned strategy to raise the level of transit service in our region and better compete with the automobile. And we have been doing our share -- we have been putting our money where our mouth is.

When we first came before Congress a decade ago to ask for help with our Capital Program, we said it would take several decades for our network to reach a state of good

REPAIR. NINE YEARS INTO THAT PROGRAM, WE HAVE SEEN WHOLESALE CHANGES IN THE MTA.

MORE THAN 80 PERCENT OF SUBWAY CARS, 90 PERCENT OF BUSES AND NEARLY ALL COMMUTER RAIL CARS HAVE BEEN REPLACED OR OVERHAULED. NINETY-FIVE PERCENT OF TRAIN CARS AND BUSES ARE AIR-CONDITIONED. TWO-THIRDS OF THE TRACK IN THE 700-MILE SUBWAY SYSTEM HAS BEEN RIPPED UP AND REPLACED. SUBWAY CARS NOW AVERAGE ABOUT 30,000 MILES BETWEEN BREAKDOWNS, APPROXIMATELY FOUR TIMES THE LEVEL OF 1982. ALL SUBWAY CARS AND BUSES ARE GRAFFITI-FREE.

IN SHORT, GREAT PROGRESS HAS BEEN MADE. AND RIDERSHIP HAS GROWN SIGNIFICANTLY.

THESE ACCOMPLISHMENTS WOULD NOT HAVE COME ABOUT WITHOUT THE SUPPORT OF THIS SUBCOMMITTEE. YOU MADE THE DIFFERENCE AT A CRITICAL TIME IN THE MTA'S HISTORY; OUR SUCCESS IN THE LAST NINE YEARS WAS A DIRECT RESULT OF YOUR COMMITMENT.

BUT THE JOB IS NOWHERE NEAR COMPLETE. WE STILL HAVE A

HUGE AGENDA OF UNFINISHED NEEDS, WITH THE WHOLE NETWORK NOT EXPECTED TO REACH A STATE OF GOOD REPAIR UNTIL 2012 AT THE EARLIEST. THIS MAKES TODAY'S DECISIONS JUST AS CRITICAL AS THOSE OF NINE YEARS AGO.

YOU KNOW, MR. CHAIRMAN, MY FIRST REACTION TO A CENTRAL THEME IN THE ADMINISTRATION'S PROPOSAL, CALLING FOR INCREASED FUNDING FOR A SYSTEM OF "HIGHWAYS OF NATIONAL SIGNIFICANCE" WAS, "WHAT ABOUT US?"

I SUBMIT TO YOU THAT THE MTA IS A "PUBLIC TRANSIT SYSTEM OF NATIONAL SIGNIFICANCE."

THE MTA CARRIES ONE-THIRD OF ALL TRANSIT RIDERS IN THE COUNTRY -- ABOUT SIX MILLION PER DAY. WITHOUT THE MTA, THE MOST DENSELY POPULATED REGION IN THE COUNTRY WOULD BE PARALYZED. WITHOUT THE MTA, THAT REGION WOULD USE AN EXTRA 1.3 BILLION GALLONS OF GASOLINE EACH YEAR. WITHOUT THE MTA, THE LONG ISLAND EXPRESSWAY WOULD NEED TO HAVE 15 MORE LANES TO ACCOMMODATE ALL THE ADDITIONAL CAR TRAFFIC. WITHOUT THE MTA, THE ECONOMY OF OUR 13-MILLION-PERSON, 4,000-SQUARE-MILE SERVICE AREA WOULD GRIND TO A HALT.

LIFE IN THE NEW YORK REGION WOULD BE IMPOSSIBLE WITHOUT THE MTA'S SERVICES.

IF THE ADMINISTRATION JUSTIFIES ITS INCREASE IN HIGHWAY FUNDING BY STATING THAT CERTAIN ROADS ARE "OF NATIONAL SIGNIFICANCE," THEN THE SAME RATIONALE MUST BE APPLIED TO THE MTA. WE PROVIDE ABSOLUTELY ESSENTIAL TRANSPORTATION SERVICES TO THIS COUNTRY'S LEADING COMMERCIAL AND FINANCIAL CENTER. IF THIS IS NOT A SURFACE TRANSPORTATION SYSTEM "OF NATIONAL SIGNIFICANCE," THEN WHAT IS?

THIS REAUTHORIZATION OF THE SURFACE TRANSPORTATION ASSISTANCE ACT OFFERS A RARE OPPORTUNITY TO RE-THINK OUR COUNTRY'S APPROACH TO SURFACE TRANSPORTATION. SINCE THE LAST REAUTHORIZATION FIVE YEARS AGO, SEVERAL TRENDS HAVE BECOME OBVIOUS:

ONE: OUR COUNTRY CONTINUES TO GROW EVER MORE DEPENDENT ON IMPORTED OIL. EVEN BEFORE THE GULF CONFLICT, IT WAS APPARENT THAT PRICE HIKES AND SUPPLY INTERRUPTIONS HAVE DONE VERY LITTLE TO CONTROL OUR UNQUENCHABLE THIRST FOR OIL. IN

FACT, NATIONAL POLICY HAS BEEN TO KEEP THE PRICE OF FUEL AS LOW AS POSSIBLE, THEREBY INSURING EVEN GREATER NEED FOR IMPORTS.

BECAUSE OF ITS GEOGRAPHIC DISTANCE FROM DOMESTIC OIL SOURCES, THE ENTIRE NORTHEAST IS MORE DEPENDENT ON IMPORTED OIL THAN VIRTUALLY ANY OTHER PART OF THE COUNTRY. AND I AM SAD TO SAY THAT OUR DEPENDENCE IS GROWING. EARLY IN THE NEXT CENTURY, IT IS ESTIMATED THAT FOREIGN OIL WILL ACCOUNT FOR 84 PERCENT OF NEW YORK STATE'S PETROLEUM REQUIREMENTS. THE SAME WILL BE TRUE FOR ALL THE NORTHEASTERN STATES.

NATIONALLY, THAT DEPENDENCE IS AT ITS HIGHEST POINT IN HISTORY -- MORE THAN 50 PERCENT OF CONSUMPTION -- AND AS U.S. FIELDS CONTINUE TO BE DEPLETED, THAT PERCENTAGE IS CERTAIN TO GROW. WE CONTINUE TO SQUANDER THESE NON- RENEWABLE RESOURCES AS IF THERE WILL BE NO TOMORROW.

A SECOND TREND, TRAFFIC CONGESTION -- AT ONE TIME A CONCERN IN NEW YORK ONLY DURING RUSH HOURS -- HAS EVOLVED INTO SEVERAL "CRUSH" HOURS OF PRODUCTIVITY-KILLING GRIDLOCK A

DAY. AN ESTIMATED 350,000 WORK HOURS ARE LOST EVERY DAY BECAUSE OF TRAFFIC-RELATED DELAYS. A MAJOR SHIPPING SERVICE ESTIMATES THAT TRUCKING COSTS IN THE NEW YORK METROPOLITAN AREA ARE 30 PERCENT ABOVE THE NATIONAL AVERAGE.

THE CAUSE OF CONGESTION IS OBVIOUS: SINCE 1960, VEHICLE MILES TRAVELED IN NEW YORK STATE MULTIPLED 15 TIMES FASTER THAN THE POPULATION, WHILE HIGHWAY CAPACITY INCREASED BY ONLY ONE PERCENT.

LAST AND CERTAINLY NOT LEAST IS THE FACT THAT DESPITE THE CLEAN AIR ACT OF 1970, THE AIR IN THE CONNECTICUT-NEW YORK-NORTHERN NEW JERSEY CORRIDOR IS STILL SEVERELY POLLUTED -- MAINLY AS A RESULT OF THE AUTOMOBILE.

IN THE TWO DECADES THE ACT HAS BEEN IN EFFECT, NEW YORK CITY HAS NEVER BEEN IN FULL COMPLIANCE WITH THE ACT'S STANDARDS.

WE REALLY MUST TAKE A NEW LOOK AT THE WAY WE INVEST FUNDS ON SURFACE TRANSPORTATION. WE IN NEW YORK BELIEVE THE TRADITIONAL 'HIGHWAY SOLUTION' IS NO SOLUTION.

THIS IS WHY THE MTA FINDS THE ADMINISTRATION'S REAUTHORIZATION PROPOSAL SO DISAPPOINTING. IT IS DISHEARTENING TO SEE AN ATTEMPT TO CARRY ON WITH 'BUSINESS AS USUAL,' AS IF IMPORT DEPENDENCY, POLLUTION, AND CONGESTION DID NOT EXIST. AT SOME POINT IN OUR FUTURE, THIS COUNTRY WILL HAVE TO CONFRONT THESE FACTS OF LIFE. LET'S DO IT NOW!

ALL THINGS CONSIDERED, THE ADMINISTRATION'S REAUTHORIZATION PROPOSAL IS WOEFULLY INADEQUATE. WHILE IT HAS A FEW SHORT-TERM POSITIVES FOR THE MTA, ITS UNDERLYING PRINCIPLES WOULD BE DISASTROUS FOR ALL PUBLIC TRANSIT PROVIDERS AND CUSTOMERS IN THE LONG TERM.

FIRST, THE ADMINISTRATION PROPOSES A FLAT UMTA PROGRAM OF $3.33 BILLION FOR FOUR YEARS, THEN MARGINALLY INCREASES THAT FIGURE IN THE FIFTH YEAR TO $3.4 BILLION. IN FACT, ASSUMING EVEN MODERATE INFLATION OVER THOSE YEARS, NATIONAL TRANSIT FUNDING WOULD ACTUALLY FALL BY MORE THAN 20 PERCENT FROM CURRENT LEVELS. MEANWHILE, HIGHWAY FUNDING SOARS BY ALMOST 40 PERCENT. WHY?

IF ONE CONSIDERS THE HISTORY OF FEDERAL TRANSIT FUNDING OVER THE LAST DECADE, THE NEWS IS EVEN GRIMMER. DURING THE 1980S, UMTA'S FUNDING LEVEL WAS CUT BY 50 PERCENT IN REAL DOLLARS. IF THE ADMINISTRATION'S PROPOSAL IS ADOPTED, THIS WOULD MEAN THAT FEDERAL TRANSIT FUNDING WOULD CONTINUE TO FALL.

THIS IS CERTAINLY NOT THE VIEW BEING PROMULGATED BY THE WHITE HOUSE, WHICH IN ITS PRESS RELEASE CLAIMED, "MASS TRANSIT CAPITAL FUNDING WILL INCREASE BY 29 PERCENT." THIS IS MISLEADING. THE INCREASE IN SECTION-9 FORMULA CAPITAL GRANTS COMES AT THE EXPENSE OF ELIMINATING OPERATING ASSISTANCE FOR CITIES OVER ONE MILLION AND BY ROLLING SECTION-3 'RAIL-MOD' AND 'BUS AND BUS FACILITIES' DOLLARS INTO SECTION-9. THE ACTUAL INCREASE IN THE OVERALL UMTA PROGRAM IS ONLY 2.2 PERCENT.

COMPLICATING THIS PICTURE IS THE FACT THAT $50 MILLION OF THESE MONIES WOULD BE SET ASIDE ANNUALLY FOR DISCRETIONARY GRANTS TO "COVER THE COSTS OF THE AMERICANS WITH DISABILITIES

ACT AND THE CLEAN AIR ACT, FLEET EXPANSION, AND OTHER EXTRAORDINARY NEEDS." THAT $50 MILLION WILL FALL WELL SHORT OF THE COSTS THAT TRANSIT SYSTEMS EXPECT TO INCUR JUST AS A RESULT OF THE ADA AND CAA. (WE ARE CURRENTLY 'COSTING OUT' WHAT WE BELIEVE WILL BE THE REAL COSTS OF COMPLYING WITH THESE TWO LAWS.)

MY SECOND CONCERN IS THAT THE PROPOSAL WOULD ELIMINATE OPERATING ASSISTANCE FOR CITIES WITH MORE THAN ONE MILLION PEOPLE. THIS REPRESENTS A $93 MILLION CUT IN OPERATING FUNDS FOR THE MTA AT A TIME WHEN WE'RE DESPERATELY TRYING TO COPE WITH EVER-GROWING OPERATING DEFICITS. THESE DEFICITS ARE CAUSED IN PART BY THE NATIONAL RECESSION-INDUCED RIDERSHIP DECLINES. BUT THE REAL HAVOC IS BEING CAUSED BY SHORTFALLS IN DEDICATED STATE SUBSIDIES THAT REFLECT NEW YORK'S DEPRESSED REAL ESTATE MARKET, ALSO A VICTIM OF THE RECESSION.

IF WE HAD TO MAKE UP A CUT OF SOME $93 MILLION, THE SUBWAY FARE COULD RISE BY AT LEAST A NICKEL, WITH COMPARABLE HIKES IN COMMUTER RAIL FARES. THESE INCREASES WOULD COME ON

TOP OF HIKES THAT WILL PROBABLY BE NEEDED JUST TO COPE WITH EXISTING STATE REVENUE SHORTFALLS.

IN SHORT, DON'T ELIMINATE OPERATING ASSISTANCE.

THIRD, THE PROPOSAL SUBSTANTIALLY INCREASES LOCAL MATCHING SHARES FOR TRANSIT PROJECTS, WHILE -- ONCE AGAIN -- HIGHWAYS FARE MUCH BETTER.

PUT ANOTHER WAY, THE FEDERAL TRANSIT MATCHING SHARE WOULD DROP FROM 75 OR 80 PERCENT TO 50 OR 60 PERCENT. MOST HIGHWAY PROGRAMS WOULD CONTINUE TO RECEIVE 75 TO 90 PERCENT MATCHING GRANTS, SO AGAIN TRANSIT IS PUT AT A VERY REAL FUNDING DISADVANTAGE. STATE TRANSPORTATION PLANNERS COULD WELL BE FORCED TO CHOOSE MORE HIGHWAYS OVER MORE TRANSIT SIMPLY BECAUSE THE FEDERAL GOVERNMENT WOULD FOOT A BIGGER SHARE OF THE BILL.

ONE OF THE MORE ASTOUNDING SUGGESTIONS IN THE ADMINISTRATION PROPOSAL IS TO HAVE HIGHWAY FUNDING BASED ON GAS USAGE. THIS IS PARTICULARLY BAD FOR NEW YORK. WE ARE THE MOST ENERGY-EFFICIENT STATE IN THE COUNTRY WHEN IT COMES

TO TRANSPORTATION -- IN LARGE PART BECAUSE OF OUR EXTENSIVE PUBLIC TRANSIT SYSTEMS. THE 1.3 BILLION GALLONS OF GASOLINE OUR TRANSIT SYSTEMS SAVE EACH YEAR WOULD BECOME A LIABILITY, NOT AN ADVANTAGE, IF THIS MEASURE BECOMES LAW.

LAST AUGUST, AFTER THE INVASION OF KUWAIT, THE PRESIDENT CALLED ON AMERICANS TO CONSERVE OIL. IT IS HARD TO IMAGINE HOW THIS PART OF THE ADMINISTRATION BILL WOULD HELP CONSERVE OIL. IT SEEMS OBVIOUS THAT IT WILL DO JUST THE OPPOSITE.

ONE POSITIVE ASPECT OF THE ADMINISTRATION PROPOSAL IS THAT IT REAUTHORIZES THE INTERSTATE TRANSFER (TRANSIT) PROGRAM AT AN ANNUAL LEVEL OF $160 MILLION FOR THE NEXT TWO FISCAL YEARS. THIS WOULD BE SUFFICIENT TO 'RETIRE' THE OUTSTANDING COMMITMENTS TO SEVERAL TRANSIT SYSTEMS. IN OUR CASE, THE MTA HAS YET TO RECEIVE $183 MILLION IN INTERSTATE TRANSFER FUNDS THAT WE WERE ALLOTTED IN 1985. OUR CAPITAL PROGRAM HAS ASSUMED THESE FUNDS WOULD BE FORTHCOMING, SO WE'RE PLEASED TO SEE A REAFFIRMATION OF THAT COMMITMENT.

HOWEVER, FUNDING 'FLEXIBILITY,' AS IT IS DEFINED IN THE PROPOSAL, ABUSES A CONCEPT WE AND APTA'S TRANSIT-2000 STUDY PROMOTED IN 1989 AND 1990. IT ALLOWS ALL OF A STATE'S FEDERAL TRANSIT FUNDS TO BE SPENT FOR HIGHWAY PROJECTS, BUT ONLY 30 PERCENT OF THE HIGHWAY FUNDS FOR TRANSIT NEEDS. THAT'S PATENTLY UNFAIR. BUT MORE IMPORTANTLY, WE SUPPORT FLEXIBLE FUNDING ONLY AFTER OUR BASIC REINVESTMENT NEEDS ARE TAKEN CARE OF. AND $3.33 BILLION ONLY GETS US HALFWAY THERE. WHEN WE REACH AN UMTA PROGRAM AT A LEVEL OF $6.5 BILLION OR MORE PER YEAR, THEN LET'S TALK FLEXIBILITY.

THE PROPOSAL ALSO CALLS FOR COMPLETELY ELIMINATING GENERAL FUND SUPPORT FOR TRANSIT AND SWITCHING THE FUNDING SOURCE ENTIRELY TO THE HIGHWAY TRUST FUND'S MASS TRANSIT ACCOUNT. THIS IS THE FISCAL EQUIVALENT OF A 'SHELL GAME,' AND WE OPPOSE IT.

WHILE WE BELIEVE THAT THE TRUST FUND BALANCES SHOULD BEGIN TO BE DRAWN DOWN, WE ALSO BELIEVE GENERAL FUND SUPPORT SHOULD BE CONTINUED AT LEAST AT CURRENT LEVELS. IF THESE TWO

STEPS WERE TAKEN AND IF OPERATING ASSISTANCE WERE RESTORED, THE UMTA PROGRAM COULD EASILY BE INCREASED TO $5.5 BILLION FOR FISCAL YEAR 1992.

WHICH BRINGS ME TO MY LAST MAJOR POINT: THE ADMINISTRATION'S REAUTHORIZATION PROPOSAL WOULD ALLOW THE NEW NICKEL-A-GALLON TAX ON GASOLINE -- INCLUDING THE ONE-HALF-CENT DEDICATED TO TRANSIT -- TO LAPSE IN FISCAL YEAR 1995, A YEAR BEFORE THIS REAUTHORIZATION BILL EXPIRES. I FIND THIS FEATURE A LITTLE BAFFLING.

IS THE INTENT TO SAVE AUTOMOBILE DRIVERS A NICKEL ON THE COST OF GASOLINE? THE UNITED STATES ALREADY HAS THE LOWEST GAS TAX -- BY FAR -- IN THE INDUSTRIALIZED WORLD. THE PRICE OF A GALLON OF GAS RECENTLY HAS BOUNCED UP AND DOWN BY 10 TO 20 CENTS, WITH VIRTUALLY NO EFFECT ON DRIVING HABITS.

FOR TRANSIT PROVIDERS, THE ONE-HALF CENT IS ABSOLUTELY ESSENTIAL TO THE OPERATION OF OUR SYSTEMS, ESPECIALLY IN LIGHT OF THE MORE THAN 50 PERCENT FUNDING CUT IN REAL FEDERAL DOLLARS THAT TRANSIT HAS ENDURED OVER THE LAST DECADE. THE

NICKEL TAX SHOULD STAY IN EFFECT FOR THE FULL FIVE YEARS -- AND BEYOND. AND AT SOME POINT, IT SHOULD BE BROADENED TO PROVIDE ADDITIONAL REVENUES FOR THE TRANSIT ACCOUNT.

I HAVE ONE FINAL COMMENT ON THE ADMINISTRATION BILL -- ONE THAT MANY MAY THINK IS INSIGNIFICANT. THIS HAS TO DO WITH THE PROPOSED DROPPING OF THE WORD "URBAN" FROM UMTA'S NAME. I UNDERSTAND THAT BOTH UMTA AND DOT SUGGESTED "FEDERAL MASS TRANSIT ADMINISTRATION" AS THE NEW NAME. THIS WOULD HAVE BEEN IN LINE WITH THE OTHER DOT AGENCIES, SUCH AS THE FEDERAL HIGHWAY ADMINISTRATION, THE FEDERAL AVIATION ADMINISTRATION, AND THE FEDERAL RAILWAY ADMINISTRATION. BUT APPARENTLY SOMEONE SOMEWHERE IN THE ADMINISTRATION THOUGHT THAT THE WORD "FEDERAL" SHOULD NOT BE ASSOCIATED WITH MASS TRANSIT -- THE IMPLICATION BEING THAT THERE IS NO FUTURE ROLE FOR THE FEDERAL GOVERNMENT IN TRANSIT FUNDING.

WELL, SPEAKING FROM THE PERSPECTIVE OF A TRANSIT SYSTEM 'OF NATIONAL SIGNIFICANCE,' I STRONGLY DISAGREE. AN ONGOING FEDERAL ROLE IS APPROPRIATE. WE NEED A FEDERAL MASS

TRANSIT ADMINISTRATION AT THE TABLE THAT WILL TIE US INTO AN OVERALL NATIONAL TRANSPORTATION POLICY.

IN CLOSING, I URGE YOU TO DEVELOP A REAUTHORIZATION BILL THAT WILL RECOGNIZE TRANSIT'S VITAL CONTRIBUTION TO ATTAINING NATIONAL ENERGY, ECONOMIC, ENVIRONMENTAL, AND -- MOST OF ALL -- MOBILITY GOALS. WE NEED YOUR HELP.

THANK YOU.

# # #

Senator Cranston. Well, you did very well.

Thank you very, very much.

Mr. Aoyagi.

STATEMENT OF GORDON AOYAGI, CHIEF, MONTGOMERY COUNTY DIVISION OF TRANSIT SERVICES, ACCOMPANIED BY JACK GILSTRAP, EXECUTIVE VICE PRESIDENT

Mr. Aoyagi. Thank you very much, Mr. Chairman, and Senator Bryan.

The American Public Transit Association, APTA, is pleased to testify today before the Senate Housing and Urban Affairs Subcommittee.

I'm Gordon Aoyagi, chief of transit services, Montgomery County Ride-On in Maryland.

With me is Jack Gilstrap, APTA's executive vice president.

Before we start, APTA does want to thank all of you for spending the time throughout this week and your sponsoring of the local symposium to discuss this very important issue before us.

Today, we offer a legislative program that has, at its core, a modest proposal.

We ask Congress, first, to restore the level of Federal funding for public transit to what it was 10 years ago in inflation-adjusted dollars.

This will require $6.5 billion.

Second, to fund transit over the next 5 years at a reasonable rate so that, in the fifth year, the program will be $11 billion.

And, third, to eliminate the bias against transit in matching ratios, flexibility, and justification requirements.

Never has there been a more powerful case to increase Federal funding support for transit.

Transit plays a key role in a sound energy policy, in expanding mobility, in meeting clean air standards, in reducing congestion, and in improving competitiveness and productivity.

Despite these issues, adequate and equitable funding for public transit is the No. 1 issue.

To pretend that State and local governments have the resources to continue to make up for Federal funding cuts would be a cruel hoax, indeed.

We urge Congress to seize this opportunity to reverse a decade of radical budget cuts and restore balance to the Surface Transportation Act.

The benefits of this investment go far beyond improving our Nation's infrastructure.

Transit promotes energy independence.

The policy gulf of imbalance must be changed.

To achieve greater energy independence requires that we commit ourselves to a program of conservation.

Every commuter who switches to transit saves 200 gallons a year.

Our national tax code currently favors the private automobile over transit.

Employers can provide free parking to employees as a fringe benefit, tax free, regardless of cost.

The amount of tax-free employer-provided benefits for transit must be increased to provide equity.

Transit promotes clean air.

Without Federal support for transit, single occupant vehicle use will continue to grow, and so will air pollution.

Increased transit funding will allow the transit industry to introduce new technology to meet emissions standards.

Without increased funding, we will be faced with service reductions or fare increases at the very time that transit is being called upon to help communities meet these clean air mandates.

Transit promotes equal access.

Transit is a people program.

How can a transportation policy of this great Nation, that advances equal opportunity and access to all, limit these opportunities of access to only those who drive cars.

Transit promotes economic development.

Travel delays in the Nation's largest urban areas, because of traffic congestion, cause 2 billion hours of lost time annually.

Can we ignore the fact that our chief competitors and closest allies have significantly greater use of transit?

In the United States, average per capita use is about 57 rides a year.

In Canada, it is 135.

In Germany, 150.

In Japan, 316.

APTA's proposal recognizes the above benefits and expands mobility options by establishing a firm partnership between the Federal, State, and local governments, based upon adequate and equitable funding for transit and a balanced transportation program.

In summary, our proposal is:

Funding levels. In the past 10 years, Federal funding has been slashed in half while highway funding has soared. For fiscal year 1992, we urge Congress to provide $6.5 billion for transit and to increase to $11 billion per year in 1996.

Funding sources. Currently, transit is funded from both the mass transit account and the General Fund revenues.

APTA agrees that the Trust Fund should be spent down, but continued General Fund support is absolutely essential.

Balance. There should be an equal cost sharing formula for highways and transit.

APTA's proposal eliminates the bias of the administration's proposal.

If cumbersome alternative analysis is required for transit new starts, then there should be an alternatives analysis for highway projects, to see if a transit project would be more energy efficient or environmentally sound.

Flexibility. We support the concept of flexibility, if it assures that transit needs are adequately met before any funds are transferred.

Operating assistance. It is hard to imagine a more counterproductive policy to eliminate operating assistance for urban areas with more than 1 million people. Eliminating operating assistance would require fare increases or service reductions in the very places where pollution, congestion, and gridlock are the most serious.

Rural and urban transit. Rural transit must receive a fair share of Federal support.

The section 18 nonurban program should be retained at higher funding levels.

Never has a case for increased transit been so compelling.

Your attention is called to the murals that we'll be showing you, which were prepared by our sixth graders from McAuliffe Elementary and Forcey Christian Schools in Montgomery County.

The theme of our mural contest was:

Beyond Earth Day 1990, what comes next?

A picture is worth a thousand words, including having Madonna at a ride-on bus stop.

Ride alone, destroy the ozone; share a ride, save the planet.

Our children's vision of the future calls upon us to expand mobility options, not to limit them.

Thank you.

[The complete prepared statement of Gordon Aoyagi follows:]

TESTIMONY OF THE
AMERICAN PUBLIC TRANSIT ASSOCIATION
BEFORE THE
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS
OF THE
SENATE COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS

MARCH 15, 1991

American Public Transit Association
1201 New York Avenue N.W.
Suite 400
Washington, D.C. 20005

Introduction

The American Public Transit Association (APTA) is pleased to present its testimony before the Senate Housing and Urban Affairs Subcommittee.[1] I am Gordon Aoyagi, the Chief of Transit Services for Montgomery County Ride-On of Maryland. Montgomery County Ride-On is a medium sized APTA member that operates 220 buses and employs approximately 500 people. Jack R. Gilstrap, the Executive Vice President of APTA, is also available to answer questions.

Today we offer a legislative program for your consideration that has at its core a modest proposal. APTA only asks that Congress provide a balance in our national transportation policy by recognizing and promoting the key role that public transit plays in meeting the mobility needs of our citizens.

To achieve this balance, we ask that Congress restore the level of federal funding of public transit to where it was 10 years ago, in inflation-adjusted dollars. Second, we urge that growth in the funding of transit over the next five years be set at approximately the same rate as that advocated by the Administration for highway funding. And third, we ask that there be no bias against transit in matching ratios or transit-only administrative requirements for justifying new projects.

At the conclusion of this statement, we present our specific legislative recommendations in considerable detail. To put them in perspective, however, we will first focus on the reasons why Congress should reverse the past decade of diminishing federal support for transit.

Never--absolutely never--in our Nation's history has there been a more powerful case than there is today for increasing federal support of transit. Efficient public transit service has emerged as an essential and fundamental part of the solution to a myriad of problems affecting the quality of life and economic health in communities throughout America.

An Historic Opportunity

Looking back on the trends of the last decade and the extraordinary events of the past twelve months, the importance of the transportation decisions that Congress will make in 1991 is crystal clear:

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[1] APTA represents over 1000 members, including motor bus and rapid transit systems and organizations responsible for planning, designing, constructing, financing and operating transit systems. In addition, APTA members include business organizations which supply products and services to the transit industry, academic institutions, and public interest groups.

o On energy policy: In the aftermath of the Gulf War, the importance of transit's role in achieving energy independence--and conservation--is more compelling than ever before.

o On mobility: All of our Nation's citizens seek the right to participate fully in all aspects of American life. Transit has long provided mobility for millions of citizens who do not have access to personal vehicles. The Americans with Disabilities Act has given transit far greater responsibility to provide mobility for millions more. If the Act is to succeed, transit must receive adequate funding.

o On clean air: With new clean air mandates, the need for increased use of transit is greater than ever. Yet without major reformulation of federal transportation policy, single occupant vehicle use will continue to soar while transit ridership declines.

o On congestion: Traffic gridlock has become a way of life in urban and, increasingly, suburban America. Not only does this waste fuel and lose millions of hours of productivity, it has greatly diminished the quality of life for Americans caught in these horrendous traffic jams.

o On competitiveness and productivity: Moving people and goods efficiently is a fundamental part of making our nation competitive in the global economy. Nothing slows down the transportation and distribution system more than the gridlock caused by single occupant vehicles clogging our urban and suburban roads.

Under these circumstances, it is no exaggeration to say that as Congress establishes a new surface transportation policy and charts the course that public transit will take into the next century, the stakes could not be higher. A decision to "stay the course," as the Administration proposes, would, at best, merely keep transit on life support and, inevitably, squander the potential for great improvements in the quality of life of Americans and the communities where they live.

Such an outcome is just not good enough. Public transit needs both the authorization for and appropriation of significantly more federal funding for both capital and operating costs. Despite the number and complexity of issues, adequate and equitable federal funding is the number one issue. Over the last ten years, passenger fares and other earnings have more than doubled and the amount of state and local assistance has more than tripled. To pretend that state and local governments have the resources to continue to make up for federal funding cuts would be a cruel hoax.

At the same time, if it is not good enough for Congress to adopt the status quo on transit funding, neither is it good enough for the transit industry to approach Congress for more money on a business-as-usual basis. Our industry recognizes that with today's budget constraints it is not sufficient just to have a good program. We must demonstrate that federal expenditures are necessary for more public good than just making our systems more financially secure. And so we will.

This testimony will show that if Congress designs a path that reverses a decade of radical budget cutbacks, the benefits will go far beyond improving the nation's infrastructure. This path will enhance the energy independence of our country, improve the quality of the air we breathe, expand the mobility options of all our citizens including those with disabilities, increase levels of employment in our local communities, reduce gridlock on urban roads and highways, provide more opportunities for rural citizens, and make America more productive and competitive.

The Persian Gulf and the Policy Gulf

The phenomenal success of the Persian Gulf military victory must not obscure one reason why the effort was so necessary. Our nation continues to be utterly dependent on imported oil. We simply must follow up this victory with a plan to promote increased energy conservation, reduce oil imports, and head toward greater energy independence. There is, unfortunately, an immense "gulf" between our desire for energy independence and the steps we have so far taken to get there.

Enhanced use of transit must be part of any viable strategy to move our Nation toward energy independence. Yet it is clear that in developing such a strategy Congress must take the lead, because the Administration will not. The Department of Transportation's surface transportation policy calls for virtually no growth in transit funding over the next five years, while highway construction would grow 40 percent.

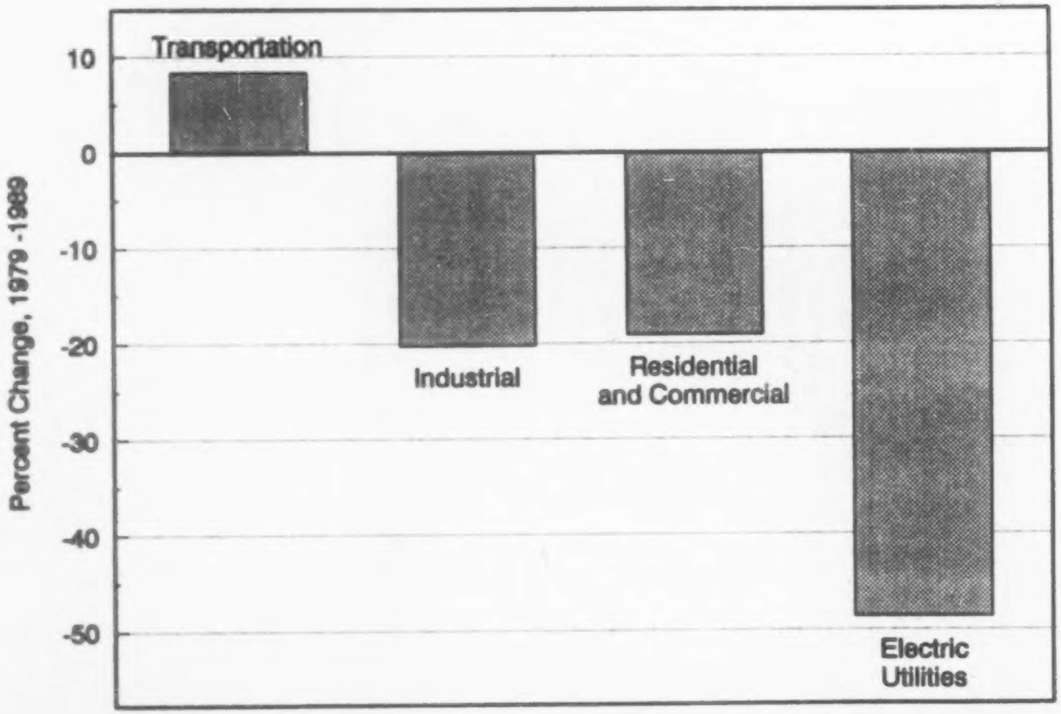
Meanwhile, the Department of Energy has minimized the role that transit can play as an alternative to inefficient fuel consumption by private vehicles. The National Energy Strategy notes that "mass transportation, carpools, vanpools, and HOV lanes are the quickest, cheapest ways to improve transportation energy use and reduce commuter congestion." Yet the Administration's energy proposal does not build on this insight with specific, effective proposals to encourage transit use.

At the center of our nation's mounting oil consumption and inefficient energy use is our traditional habit of driving alone. During the last 10 years, in fact, transportation was the only sector of the economy in which oil use grew. Chart 1 compares the change in oil consumption over a decade by transportation, industrial, residential/commercial, and electric utility uses.

Every commuter who switches from driving alone to transit saves 200 gallons of gasoline per year. If the five largest U.S. cities could increase transit ridership by just 10 percent, we would save 85 million gallons of gasoline a year. If ten percent of urban

Chart 1

Change in U.S. Oil Consumption, 1979 - 1989



auto commuter trips were served by transit, over 300,000 barrels of oil would be saved each day.

Yet the Administration's proposal would cut transit spending--in real terms--over the next five years. Moreover, if its proposal to eliminate operating assistance to the largest systems is adopted, farebox increases and service reductions are almost guaranteed. This, in turn, would cut down on ridership, force people back to their cars, and thereby increase fuel consumption. Hit hardest would be the most transit-dependent citizens, such as low-income workers and people with disabilities, who would bear the brunt of higher fares and service cuts because they have no alternative means of transportation.

In addition, our current tax code provides a classic example of wasteful energy policy and lack of balance in surface transportation policy. Employers can provide free parking to employees as a fringe benefit that is tax-free, regardless of the cost. This is a direct subsidy and incentive to drive alone. If employers pay any part of an employee's cost to commute by transit, the entire contribution is taxable as income if it exceeds $15 per month. This inequity should be eliminated. The National Energy Strategy calls for increasing the tax-free amount of employer-provided transit benefits, but the Administration does not address this issue in the energy tax legislation it has submitted to Congress.

America cannot lapse into complacency in the aftermath of the Gulf War. More than ever we need to match our desire to achieve energy independence with solid initiatives. That requires a greater availability of, and federal investment in, transit alternatives to the private automobile.

Transit is a Clean Air Issue

Once strictly a big city problem, air pollution is now invading the suburbs and smaller communities across America, threatening people's health and the economic well-being of many places. The magnitude of the problem has prompted action at the state and local levels, as well as the enactment of the Clean Air Act Amendments of 1990 by Congress.

Beyond question, moving people out of cars and into vans, buses, and rail is essential for achieving cleaner air. Transportation sources cause 40-60 percent of ozone pollution and 70-80 percent of carbon monoxide emissions. Even the promise of tighter emission standards in the future will not be enough to improve air quality. The anticipated emission reductions from tailpipe technology will be more than offset by growth in total travel demand--unless more people start using transit and other forms of shared-ride transportation.

As Charts 2 and 3 show, the improvement in air quality is substantial if people move from automobiles to transit and other high-occupancy modes. As an example, in my own community of Montgomery County, Maryland, the combination of bus and rail trips totals 70 million passenger trips annually. This represents almost 100 transit trips per capita. It is estimated that the public transit ridership removes over 28,000 vehicles from the County's highway network during the peak one hour of the peak, which is equivalent to not building 10-12 highway lanes and reduces automobile emission by 3500 tons per year. Imagine what the quality of life in the County would be without transit.

What will the Clean Air Act Amendments of 1990 require? Very preliminary estimates indicate that vehicle emissions must be reduced in Montgomery County by an additional 1000 tons annually, or about 30 percent more than is currently achieved. Greater transit capacity and expanded ridesharing arrangements will be required.

APTA's surface transportation reauthorization proposal includes incentives and funding levels for transit that will significantly increase ridership. This, in turn, will directly benefit air quality and communities' ability to achieve attainment standards. Increased federal transit funding will allow the industry to introduce new technology to meet emissions standards. Without additional federal support, the costs imposed on transit operators may result in service reductions or fare increases at the very time that public transit is being called on to help communities meet attainment standards.

Transit is an Issue of Equal Access

Public transit provides essential mobility to citizens who are unable or who choose not to operate private vehicles. For people with disabilities, older Americans, the young, and the poor, access to transit can be the single most important factor in their quality of lives and their ability to work, obtain education, and gain access to essential services.

Eleven million Americans are considered "transportation handicapped" and require special transportation assistance. Nearly half of those indicate that their mobility is limited due to a lack of adequate public transportation services. Cutting transit funding is tantamount to cutting the link these people have with the rest of society. The Americans with Disabilities Act of 1990 mandates enhanced and expanded transit services. But without adequate funding, these services cannot be provided.

APTA has embarked on a new era of cooperation with advocates of disabled Americans during the past several years. We are working together to see that the regulations required by the ADA meet the needs of all involved. The cost of converting equipment and increasing services will be high. Without significant increases in funding, we cannot provide the services needed to achieve the ADA's goals.

Transit is also the key to mobility for millions of senior citizens who cannot not or

Chart 2

Emissions of Carbon Monoxide

(Estimated grams per passenger mile for work trips)

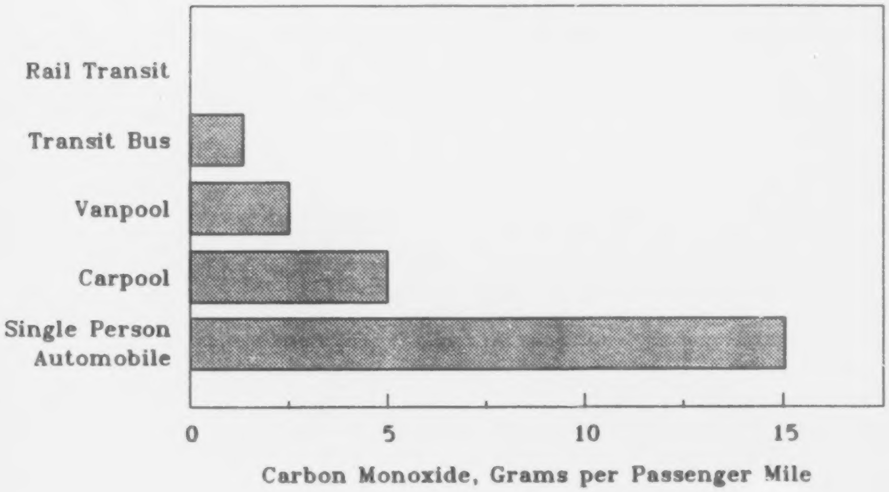
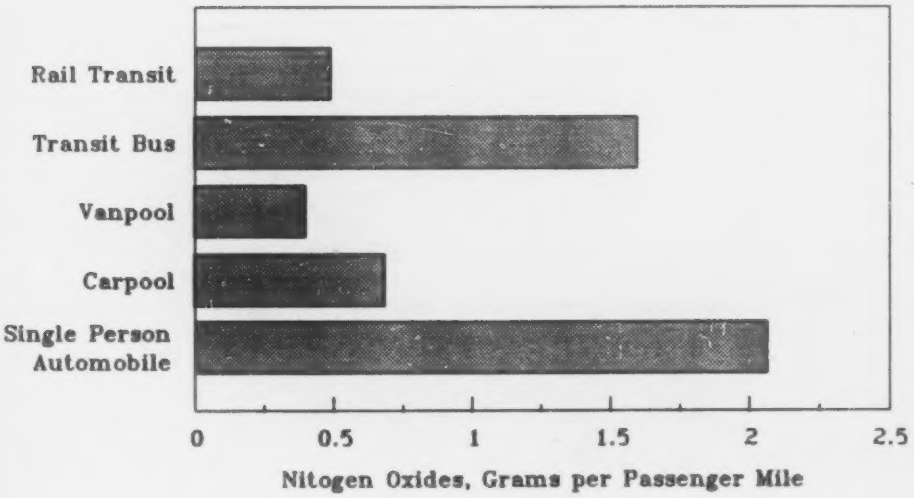


Chart 3

Emissions of Nitrogen Oxides

(Estimated grams per passenger mile for work trips)



do not have automobile transportation. In rural America, nearly half of the elderly are in poor health and 60 percent are not licensed to drive. Expanded public transportation services are vital to provide these people access to essential health care facilities and other social services.

Finally, for people with limited incomes, transit can mean the difference between a decent job and unemployment. Some 28 percent of transit users live in households with annual incomes of less than $10,000. For most of these people, transit is the only transportation option. Transit is absolutely necessary to expand employment opportunities.

Transit is an Issue of Economic Development

Transit is a major key to economic development and competitiveness. Today, America's economic productivity is severely hampered by growing traffic gridlock. Travel delays in the nation's largest urbanized areas now cause two billion hours of time to be lost annually. By the year 2005, hours lost will double if the trends continue.

America's chief competitors and our closest allies make significantly greater use of transit. In the United States, average per capita use of transit is about 57 transit rides a year. In Canada the number is 135, in Germany it is 150, and in Japan it is 316. Each of these other countries places far greater emphasis on transit as a critical component of economic development and growth.

In addition to providing access and reducing congestion, transit is itself an excellent source of economic development. Major transit commitments around the country have spurred millions of dollars of private development in patterns that provide greater efficiency and increased amenity. For every $10 million invested in transit capital, 770 jobs are created and $33 million in business revenues are generated. Every $10 million invested in transit operations will support 960 jobs and create $30 million in business revenue.

In short, funding transit is good business for the nation and good business for local communities. An essential part of our infrastructure, transit is a particularly good investment because it is centered largely in urban areas where jobs and people are already clustered. It is cost-effective because it allows existing development to be used more effectively and it is a powerful tool for channeling future development.

The APTA Proposal for a New Transit Policy

This year marks a once-in-a-generation opportunity to achieve a sound national surface transportation policy by strengthening the federal transit assistance program.

The details of our proposal are included in the attached statement, Reauthorization Proposal for the Federal Public Transportation Act of 1991, dated February 14, 1991. This section outlines the four most important points and highlights areas where we have serious differences with the legislation proposed by the Administration:

Funding Levels

During the past 10 years, federal transit funding, adjusted for inflation, has been slashed in half, while highway funding levels have soared. The single most important part of our proposal is to restore transit funding to the level of ten years ago, as adjusted for inflation.

In contrast, the Administration would freeze funding levels with only a token increase in the fifth year of the program. During the same period, funding for highways would increase 40 percent. Given the problems of energy consumption, clean air, gridlock, mobility, and economic development, the Administration's funding priorities are exactly the opposite of what they should be.

Charts 4 and 5 demonstrate the disparity in funding priorities over the past decade. Chart 4 compares the growth of highway funding to the reduction of transit funding. Chart 5 shows how federal support of transit in real dollars has been cut in half.

In order to restore a more balanced federal funding policy, for FY 1992, we urge Congress to authorize and appropriate $5.5 billion for transit and let this amount grow to $11 billion over the next five years.

Funding Sources

Currently transit is funded from both the Mass Transit Account and from General Fund revenues. The Administration proposes a departure from current policy that could have a long-term disastrous impact on transit. It proposes the immediate elimination of General Fund support for transit, together with a spend-down of the Mass Transit Account. At the end of five years, that would leave transit with no surplus to draw on and a relatively small income stream from the Mass Transit Account.

APTA agrees that the Trust Fund balance should be spent down, but we strongly object to elimination of General Fund support without additional revenue flowing into the Trust Fund. Continued support from the General Fund is needed to reach the levels of funding necessary for a sound transit program. Eventually an increase in the federal gasoline tax dedicated to mass transit should be considered. We believe that the American people are perfectly willing to pay a higher gas tax if they know that it will be used to reduce congestion, increase mobility, and keep transit fares at affordable levels.

Chart 4

The Divergence of Federal Transit and Highway Funding, Actual Budget Authority (1981-1991) and Administration Proposed Budget Authority (1992-1996), Billions of Dollars

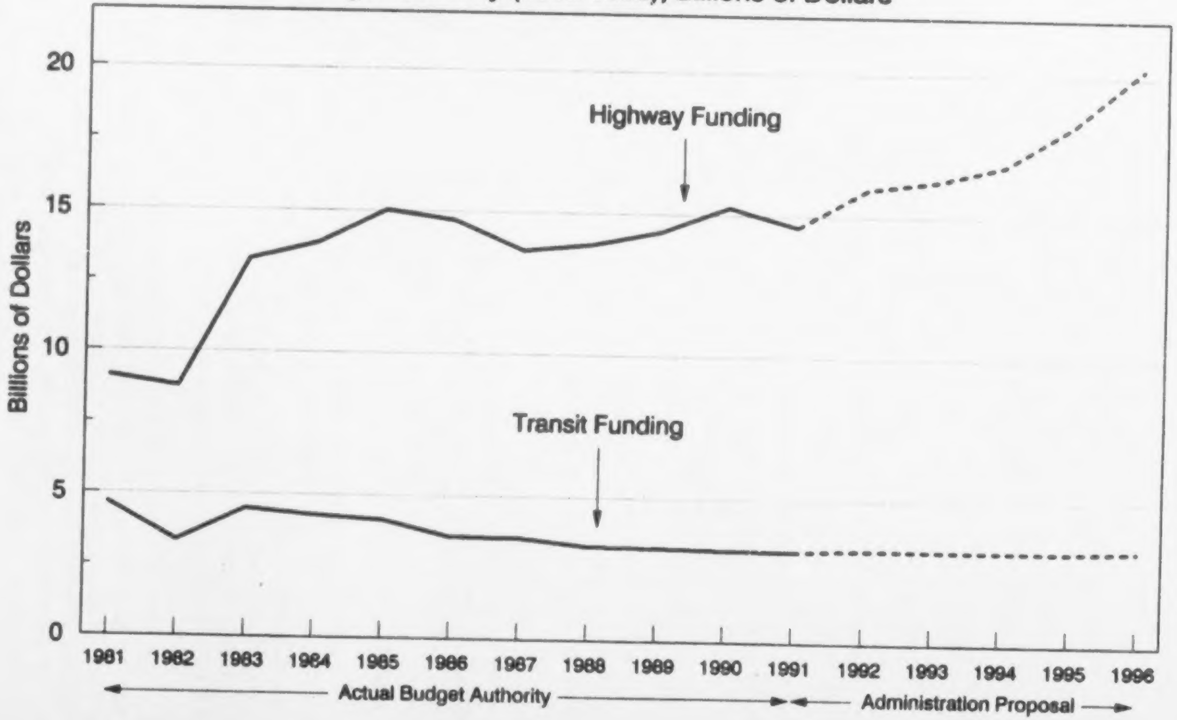
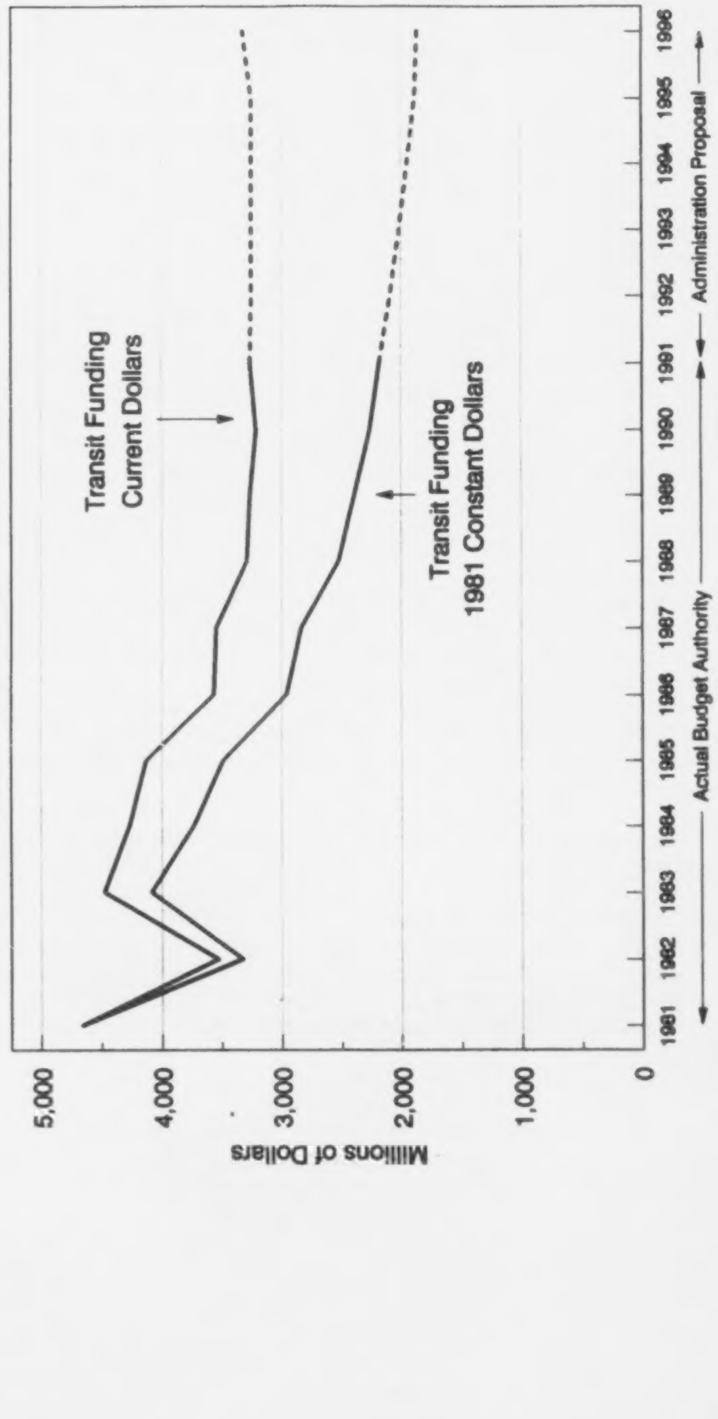


Chart 5

The Effect of Inflation on Federal Transit Budget Authority
(1981 - 1996, Millions of Dollars)



Balance: Federal/Local Cost Sharing

APTA strongly believes that whatever the balance between federal and local cost sharing Congress chooses, there should be an equal cost sharing formula for highways and transit. Under the Administration's proposal, the federal government would provide between 75-90 percent of the cost of most highway programs. The equivalent share for transit programs would be 50-60 percent. Therefore, local governments would have a much greater incentive to build highways since they could receive more federal funds for fewer local dollars than they would by funding transit.

The APTA proposal eliminates modal biases and allows states and local governments to make decisions about transportation investment based on transportation needs. In addition, we strongly oppose the Administration's proposal that new start transit projects be subjected to an expensive and cumbersome "alternatives analysis" but no such requirement would exist for highway projects. At a minimum the burden should be equal. Indeed, if anything, there should be an alternatives analysis for highway projects to see if a transit project would be more energy efficient or environmentally sound.

Flexibility

Flexibility is a concept that all parties seem to embrace in this debate. But it means radically different things to different people. APTA certainly believes that there should be increased flexibility for local and state governments to spend transportation funds. We are, however, alarmed by the concept set forth in the Administration bill, which is tantamount to a one-way policy. Virtually all transit funds would be available for conversion to highway projects, but only a small fraction of highway funds would be available for transit projects. That is precisely the wrong way to implement flexibility and we object strongly to the proposal.

The policy of flexibility adopted by Congress should assure that transit needs are adequately met before any funds are transferred. It is inequitable to have slashed funding in half over the past decade and then insist that what little is left be totally up for grabs by highway projects in the future. At current levels, transit cannot afford its core needs, much less subsidize the highway program. Neither should the bill contain, as the Administration proposes, substantial hurdles for new start transit projects when no such hurdles exist for highway projects. A precondition to flexibility should be the restoration of the balance between highway and transit funding priorities.

Operating Assistance

One of the most distressing aspects of the Administration's proposal is the proposal that transit operating assistance be eliminated for areas with more than one million people. This would have extremely negative and counterproductive results in these urban areas where the U.S. Census Bureau reports that 50 percent of our population now resides.

The loss of large urban area operating assistance would require immediate and significant fare increases. This, in turn, would reduce ridership and prompt service reductions in precisely those areas where the problems of pollution, congestion, and gridlock are the worst. It is hard to imagine a more counter-productive policy direction.

Rural Transportation and Small Transit Systems

A number of reauthorization issues are of concern to transit systems in rural areas and in urbanized areas with fewer than 200,000 people. APTA's reauthorization proposal addresses these issues in detail.

Rural transit must receive a fair share of federal support. APTA believes that the existing independent section 18 non-urban program should be retained at higher funding levels.

Transit systems in urbanized areas with populations between 50,000 and 200,000 people should continue to be able to serve as Designated Recipients, as current law allows.

The Administration proposal threatens the effectiveness of rural and small urban area transit by creating a "block grant" approach. APTA believes that such a concept would be counterproductive. It would promote inefficiency and increase red tape at the state and local level. If adequately funded, the current policy for distributing funds to these transit systems works quite well and is certainly the most efficient means of funding the systems.

Finally, the concept of "flexibility" is of particular concern to small urban and rural providers since it may thrust these small agencies into a battle over the use of resources with much more powerful state-wide departments and agencies, many of which have an historically greater interest in road-building.

Research and Development

One area in which APTA is close to agreement with the Administration is the importance of transit research, development, and related programs. The Administration would earmark 2.8 percent of transit funding for research, development, training, and human resources, while APTA recommends that 3 percent of transit funds be devoted to these purposes. Both proposals recognize that these programs are critical to the future of transit.

Conclusion

In his recent address to Congress, President Bush called for a transportation bill within 100 days. APTA is prepared to do its part to meet this ambitious goal. The industry has developed an unprecedented consensus after months of work on a comprehensive plan for reauthorization that will take transit into the next century. That plan is appended to this testimony with a detailed section-by-section description of our proposal. It provides a great deal of detail about every aspect of the transit program.

APTA has been immensely pleased by the outpouring of support for transit shown by Members of Congress, state and local elected officials, business, labor, and public interest groups during the last several weeks. We are especially encouraged by the enthusiastic response of hundreds of groups to the development of the Transit Now coalition which brings together all the various supporters of transit for the first time as a unified force.

We repeat: Never has the case for transit funding been so strong. As we move toward the year 2000, there can be no doubt that transit will be a fundamental part of our national policy on competitiveness, energy, environment, mobility, productivity, and economic development. With the clock ticking on the 100 days of decision, APTA stands ready to do everything it can to assist Congress to meet this goal and to help get the country moving again.

AMERICAN PUBLIC TRANSIT ASSOCIATION

REAUTHORIZATION PROPOSAL
FOR THE
FEDERAL PUBLIC TRANSPORTATION
ACT OF 1991

February 14, 1991

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INTRODUCTION

Reauthorization of the federal program of financial assistance to public transit as part of the Nation's surface transportation program will be one of the most important undertakings of the 102nd Congress. The Federal Public Transportation Act of 1991 will provide an opportunity to renew the longstanding partnership between public transit system operators and all levels of government--local, state, and federal--in financing an essential public service.

Reauthorization offers the opportunity for the Nation to launch an ambitious program to provide an environmentally sound and economically efficient transportation alternative for Americans in both urban and rural communities. Modern public transportation has proven to be environmentally sound, conserving energy and reducing pollution. It provides inexpensive mobility for all citizens and is often the only available transportation for many elderly, disabled, and economically disadvantaged persons. Modern public transportation has also proven to be economically efficient, conserving valuable urban land, and reducing costly congestion. It reduces the cost of transportation to both government and private entities and individual Americans.

In this reauthorization proposal, the public transit industry is urging an ambitious program for the 1990s and beyond. It is based on the work of APTA's Transit 2000 Task Force and testimony provided by the industry over the past year at hearings on the transit program before Committees of the United States Congress.

The importance of the federal commitment to transit cannot be overstated. The pending reauthorization bill may largely shape the future of transit and the nation's transportation policy well into the next century. The transit industry is united in urging a significant increase in the level of federal financial support for public transportation.

A broad overview of the industry's reauthorization proposal is set forth below. It will be accompanied by a more detailed statement of the specific legislative changes needed to the Urban Mass Transportation Act, the Internal Revenue Code, and any other laws to implement this proposal.

FINDINGS AND PURPOSE

Congressional findings should include additional or substitute statements that recognize the importance of transit service economically, environmentally, and socially. Language recognizing these qualities might be:

(1) that metropolitan areas are the economic and commercial focus of surrounding suburban and rural areas of large regions and they contain essential economic and commercial infrastructure of the Nation;

(2) that public transportation makes a significant contribution to National goals of pollution reduction, energy conservation, mobility for elderly, disabled, and economically disadvantaged persons, congestion reduction, and the overall improvement of urban and rural environments;

(3) that public transportation is essential for providing dependable and affordable commuter trips for workers in urban areas;

(4) that federal mandates and regulation of the amount of public transportation service that must be provided in an area, the manner in which that service is to be provided, and how vehicles used to provide that service must be constructed, create unexpected and significant expense for urban public transportation providers; and

(5) that viable public transportation is essential to achieving National goals in both urban and rural areas of the United States.

The description of program purpose should be broadened to recognize that efficient public transportation in both urban and rural areas includes not only traditional public transportation modes but also all forms of shared-ride transportation including carpools, vanpools, and preferential treatment for high-occupancy vehicles. The program description should therefore recognize that transit's broadened role in the overall management of mobility includes assuming greater responsibility for a wide range of high-occupancy transportation options.

PROGRAM LEVELS AND BASIC STRUCTURE

APTA is proposing that the public transit program be reauthorized for Fiscal Years 1992 through 1996. The program would begin at $5.5 billion in Fiscal Year 1992 and increase to $6.0 billion in Fiscal Year 1993; to $7.0 billion in Fiscal Year 1994; to $9.0 billion in Fiscal Year 1995; and to $11.0 billion in Fiscal Year 1996. These resources would be made available through two basic programs.

The first program is the "transit categorical and reinvestment program," which would be authorized at a level of $ 5.5 billion in Fiscal Year 1992, $6.0 billion in Fiscal Year 1993, and $6.5 billion in Fiscal Year 1994 through Fiscal Year 1996. The Fiscal Year 1994 funding level would equal the current inflation adjusted value of transit funding at the beginning of the decade of the 1980s. The transit categorical and reinvestment program would be limited to transit projects in both urban and rural areas and would support new starts and extensions of fixed guideway systems, rail modernization and rehabilitation, procurement and/or rehabilitation of rolling stock, bus and bus-related capital projects, other related transit capital investments, and system and service maintenance expenses.

The second program is the "flexible use program," which would be authorized at a level of $0.5 billion in Fiscal Year 1994, $2.5 billion in Fiscal Year 1995, and $4.5 billion in Fiscal Year 1996; but for which funds would only be made available if the transit categorical and reinvestment program was funded at fully authorized levels. The flexible use program would be available for use at the local level to support major surface transportation capacity expansion needs, either transit or highway. Additional resources for the flexible use program would be made available as part of the reauthorized Federal-Aid Highway program and these resources would also be available to support either transit or highway projects designed to meet capacity expansion needs. Procedural safeguards described below would be included to make sure that transit needs in a community were met before funds from the flexible use program could be used for other than transit purposes.

The program level proposed by the transit industry is the result of careful study over the past three years by APTA's Transit 2000 Task Force and a detailed capital needs survey conducted by APTA in 1990. The funding levels proposed for each section of the program are shown on Table 1 and described in detail below.

REVENUE SOURCES

Revenue sources for the reauthorized transit program will continue to be amounts appropriated each year from the general fund of the U.S. Treasury and the Mass Transit Account of the Highway Trust Fund.

In Fiscal Year 1992, Congress would be authorized to appropriate $2.1 billion from the general fund to support the transit categorical and reinvestment program. This is the level authorized currently for the transit program (in Fiscal Year 1991).

An additional seven cents of the federal gasoline excise tax would be dedicated to transit by Fiscal Year 1996. The increase would be phased in as needed to support the increase in authorization levels and maintain an adequate balance in the Mass Transit Account.

AUTHORIZATION APPROACH

For reasons of fairness and equity among all urban and rural areas with a vital stake in meeting their public transit needs, the industry is proposing a "unitary" authorization approach for the transit categorical and reinvestment program. Under this approach, Congress would determine annually the total amount of funding available for the overall transit program, and each program element would receive a pre-determined percentage of this amount. Therefore, section 21 of the Urban Mass Transportation Act would provide that the various components of the program--section 3 discretionary and rail modernization and rehabilitation, section 9 formula grants, section 18 formula grants, research and training, etc.--receive a stipulated percentage "takedown" of the total funds actually made available in appropriations legislation each fiscal year.

The percent for each section would vary depending upon the amount appropriated. When the full $6.5 billion authorized level is appropriated each section would receive the amounts shown on Table 2A and the percentages shown on Table 2B; approximately 26.2 percent for section 3, 64.0 percent for section 9, 3.1 percent for section 18, 3.0 percent for research, and 3.7 percent for other purposes. If appropriated amounts are less than authorized levels, the percentage distribution of funds between sections would be a weighted average of the percent distribution of the full $6.5 billion funding level and the percent distribution of the FY 1991 appropriations. The percents and resulting dollar amounts for increments of $500 million dollars and percentages shown on Tables 2A and 2B.

The $4.5 billion flexible use program should only be funded if the transit categorical and reinvestment program is funded at fully authorized levels.

Finally, legislation must include a provision to safeguard against reductions in general fund support for transit by substituting trust fund revenue from the Mass Transit Account. Even though the industry received firm promises that the gasoline tax funds in the Mass Transit Account would be "new money" when the gas tax was increased in 1982, gas tax funds have been substituted for general revenue funds.

TRANSIT CATEGORICAL AND REINVESTMENT PROGRAM

Section 3: Discretionary Program and Rail Modernization Formula Program

Overview

The section 3 program will continue as part of the transit categorical and reinvestment program, receiving approximately 26 percent of the funds made available at the $6.5 billion funding level. Section 3 would continue to authorize the distribution of funds on a discretionary basis for the purposes of (1) construction of new fixed guideway systems and extensions to existing fixed guideway systems; and (2) for the purchase of buses and related equipment and the construction of bus-related facilities. Section 3 will also continue to fund rail modernization projects, but funds will be apportioned by formula rather than through discretionary grants.

Of the funds made available for the section 3 program, 44.44 percent would be available for new starts and extensions of fixed guideway systems; 44.44 percent for formula rail modernization; and the remaining 11.11 percent would be available for buses and bus-related capital expenditures.

The federal share of a project under section 3 would be increased from 75 percent of net project cost to 80 percent. This is in keeping with industry policy that the federal share of a transit capital project should be at least 80 percent with a 20 percent local share. The federal/local share requirement should have at least as great a federal share for transit capital projects as for major highway projects so that the surface transportation program does not create a financial incentive for selection of one mode over another because of variations in federal matching ratios. It would also be stipulated that the Secretary of Transportation could not require a community to provide a greater local share (e.g. "overmatch") as part of the technical criteria in making a discretionary grant award.

Rail Modernization Formula

The amount of funds available for "new start" projects shall be equal to the amount of funds available for "rail modernization" projects.

Of the funds made available for rail modernization, the eight historic urbanized area recipients, as a group, shall be held harmless up to an appropriation level of $455 million.

For funding levels over and above $455 million, the rail modernization and rehabilitation program shall be distributed on a formula basis as follows: (a) for the next $70 million of funds ($455 - $525 million), 50 percent of this amount shall be distributed to the eight historic recipients of rail modernization funds on the basis of section 9 formula factors; the remaining 50 percent shall be distributed to all other fixed guideway recipients on the basis of the section 9 formula factors, and (b) for all funds in excess of $525 million, all funds shall be distributed based upon the section 9 fixed guideway formula.

Section 9: Formula Grants for Urbanized Areas

Overview

The section 9 formula grant program for urbanized areas will continue as part of the transit categorical and reinvestment program, receiving almost 64 percent of the funds made available at the $6.5 billion funding level. Provisions that provide for reapportionment of unobligated section 9 funds after the current four-year period that provides for "bankrolling" or other necessary protection, shall remain in the program.

The current matching ratios would be retained with an 80 percent federal share of a capital project and a 50 percent share of a system and service maintenance grant.

Operating Assistance

Federal operating assistance for all sizes of transit systems has been an essential element of the federal program. A program that provides for expenditures for the operating component of maintenance and related activities must continue to be included in the transit program in order to ensure adequate maintenance and effective operation of our nation's transit infrastructure and realization of the full benefit of federal capital investments in transit. The current operating assistance program would therefore be replaced by a maintenance assistance program to reflect a new federal commitment to maintaining the viability of transit service throughout the nation.

The new maintenance assistance program would establish a portion of each urbanized area's section 9 apportionment that could be expended for maintenance assistance and define what expenses are eligible for assistance by this program. The level of funds available for each urbanized area would equal the full Fiscal Year 1982 amount of section 5 Tiers I, II, and III for urbanized areas over 200,000 population. The level of funds available would be the total amount of each year's section 9 apportionment for urbanized areas from 50,000 to 200,000 population. These increased funding levels would reflect growing costs to transit systems for maintenance and the implementation of federally mandated regulations, but would hold the increase to a minimal level to reflect concerns over the federal budget for the next several years. If all available funds for urbanized areas of all sizes under this program were used for maintenance expenses the total amount at a full $6.5 billion authorization level would be approximately $1.3 billion compared to the Fiscal Year 1991 operating limit appropriation of $802 million and the Fiscal Year 1991 authorization of $929 million.

The use of these funds would be limited to specific expenditure categories. For systems in urbanized areas from 50,000 to 1,000,000 population eligible expenses would be defined as "service maintenance" expenses. Service maintenance expenses are any expenses incurred to provide or maintain transit service. Systems in urbanized areas over 1,000,000 population would be limited to using funds for a "system maintenance" program equal to a percentage of their most recently reported combined vehicle and non-vehicle maintenance expenses as reported in section 15 annual reports plus added costs of service provision resulting from the Americans With Disabilities Act and Clean Air Act.

In keeping with the intent of current legislation that larger urbanized areas fund a greater portion of their costs from local sources, the percent of maintenance costs and the costs of added federal mandates that would be eligible for use of these funds would be at two levels. Urbanized areas over 1,000,000 population without operational heavy rail service before Fiscal Year 1992 would be allowed to use an amount up to 80 percent of their maintenance expense plus the added cost of federal mandates. Systems in urbanized areas over 1,000,000 population with operational heavy rail service before Fiscal Year 1992 would be allowed to use an amount up to 40 percent of their maintenance expense plus the added costs of federal mandates. These provisions are described in tabular fashion on Table 3.

The federal share of a maintenance assistance project will be 50 percent. For urbanized areas over 200,000 population the local share of the project cost may include state and local financial assistance and other eligible financial assistance used for system maintenance expenditures and assistance used for other operating expenditures. The dollar amount of the federal share of a project can be equal to 100 percent of system maintenance costs up to the amount of funds available.

Several regulatory provisions would be included in the proposed program. Maintenance expenses would be based on the totals for all transit providers in an urbanized area but distribution of the funds between systems in a single urbanized area would remain a local decision as it is now. These funds would not be accounted for separately but would be accounted for as part of each system's regular accounting practice. These provisions would avoid undue administrative hardship and the expense of changing accounting practices.

Under current law, Mass Transit Account funds may not be used for operating assistance. This has created a hardship for many transit systems since a growing proportion of funding for the section 9 formula program has come from the Mass Transit Account "blending" provisions of section 9B. This problem might continue under this proposal if part or all of section 9 is funded from the Mass Transit Account. Therefore, funds from either the general fund or from the Mass Transit Account would be eligible for use for service maintenance or system maintenance expenditures.

Designated Recipients

The current approach to designated recipients of funds under the section 9 formula program would be retained. However, language would be added to "grandfather" all existing designated recipients. This would be designed to protect those systems in areas below 200,000 population that now serve as designated recipients. There would be no change in the current practice where designated recipients are free to distribute funds among eligible recipients as agreed to in their area.

Section 18: Formula Grants for Small Urban and Rural Areas

The section 18 formula grant program for small urban and rural areas will continue as part of the transit categorical and reinvestment program, receiving approximately 3 percent of the funds made available at the $6.5 billion funding level. These funds would continue to be apportioned to the states on the basis of the current formula for use to support capital projects and operating assistance. The law will specify that states cannot impose additional restrictions on the use of these funds beyond those restrictions contained in federal law.

Interstate Substitution

The current Interstate Substitution program is limited to requests made before September 30, 1983. Approximately $321 million remains to be appropriated for obligation to complete this program. There should be an authorization sufficient to fulfill existing commitments for Interstate Transfer/Substitution transit projects as part of the overall completion of the Interstate System. The authorization should provide authority to appropriate the entire Interstate Substitution amount within as short a period as the first two years of the authorization without reducing appropriations for other programs.

Section 16 (b)(2)

The section 16 (b)(2) grant program for private nonprofit corporations and associations to assist them in providing transportation services to meet the special needs of elderly and handicapped persons would be continued with an additional provision that public agencies would be able to operate service on behalf of a section 16(b)(2) agency.

Research, Training, Human Resources, and Planning

The research, training, human resources, and planning programs provided for in section 4 (i), 6, 8, 10, 11, 18, and 20 of the Urban Mass Transportation Act would continue, receiving 3 percent of the funds made available at the $6.5 billion funding level.

One-third of these funds would be used to support a "National Research and Training Program" for research, demonstration, managerial training, technical training, technical assistance, and human resource priorities as determined by the Secretary of Transportation. As part of this program, a new provision would be added to section 11 authorizing the Secretary to undertake and support projects designed to showcase products and services provided by the domestic transit supply industry in the international market place.

The remaining two-thirds of these funds would be used to support a "State and Local Planning and Research Program" that would include support for transit planning at the state and local level and the rural technical assistance program. A new provision would be added to section 11 authorizing the Secretary to enter into a contract with the Transit Development Corporation for the purpose of implementing the National Cooperative Transit Research Program at an annual level of $10 to $15 million. This program would be controlled by transit operators and directed at solving short term operating problems.

FLEXIBLE USE PROGRAM

Flexible Use of National Highway System Funds

The Federal Highway Administration is proposing a new National Highway System (NHS) program category in the upcoming authorization. States and localities should be granted the flexibility to use NHS funds for any surface transportation project which can be demonstrated to improve the performance of a National Highway System route. For example, these funds should be available for rail projects, busways and bus-related capital improvements, park and ride facilities, HOV lanes, and other transportation purposes identified at the local level. Flexibility in National Highway System funding would result from corridor level planning and a comprehensive, consistent, and coordinated local transportation planning process. Such flexibility should be used to meet local air quality and congestion management goals.

Funding for Federal Highway Administration Urban and Rural Systems should at least equal funding for the National Highway System so that all highway needs can be addressed. Full modal flexibility for the program, including transportation system management approaches, should be maintained.

New Flexible Use Program

A new section 26 would be added to provide authority for the $4.5 billion flexible use program. Additional resources for the flexible use program would be made available as part of the reauthorized Federal-Aid Highway program. No funds may be appropriated for this program until the entire transit categorical and reinvestment program is funded to its fully authorized level each year. Funds could be used to support either highway or transit projects designed to meet capacity expansion needs. The federal share of a flexible use project would be 80 percent.

Of the $4.5 billion authorized, 15 percent would be available for discretionary grants and 85 percent would be apportioned on a formula basis. The apportionment formula would be the same as the combined apportionment of sections 9 and 18.

Funds would be made available to designated recipients of transit categorical and reinvestment program funds. No funds from the Mass Transit Account could be used for highway or highway-related purposes without the concurrence of the designated recipient of transit funds in the area affected by the project and the concurrence of any public transit system operator in the area who is not a designated recipient. In addition, the Secretary of Transportation would have to make a finding that all transit capital needs were being met prior to the use of any Mass Transit Account funds for a highway project.

GENERAL PROVISIONS

Impact of 1990 Census

A new section 27 would be added to the Urban Mass Transportation Act to recognize the need to adjust the formulas in sections 9 and 18 based upon the results of the 1990 Census. When this data is released for urbanized areas, it is anticipated that 50 to 60 new urbanized areas will be created, several urbanized areas will increase in population from below 1,000,000 to over 1,000,000, and several urbanized areas will increase in population from below 200,000 to over 200,000. The populations and land areas of all current urbanized areas and the rural population of states will change; some urbanized areas will also lose population. It is therefore appropriate for Congress to adjust the formulas in the Act to reflect this new information. The new statutory provision would direct the Secretary of Transportation to propose shifts in the amount of funds between section 9 formulas, for approval by Congress before implementation, as soon as possible but in any case within three months of publication of applicable Census data.

Energy Policy

The Secretary of Transportation, in consultation with the Secretary of Energy, should be authorized to provide the Urban Mass Transportation Administration with additional budget authority in the case of war or emergency situations designated by the President. In such situations, federal policy should provide for the buildup of bus fleets and make clear that the Secretary is authorized to waive regulations governing spare bus ratios and to provide transit agencies with priority for fuel deliveries and expedited vehicle procurement grants.

Other Regulatory Provisions

Changes would be made to several "non-funding" provisions of the Act which either impose requirements on the receipt of a federal grant or which impose requirements on an entity which contracts with a federal grant recipient. Several of the provisions have been implemented by UMTA through regulations or program guidance. The changes would attempt to eliminate inconsistent requirements, ease the administration of the federal transit program, and permit grant recipients greater flexibility in their management of federally assisted transit service.

Relatively minor, but important, clarifying language will be proposed in the following areas:

(1) **UMTA Rulemaking Requirements:** Amendments to both section 12(i) and 12(c)(12) will be suggested. These amendments will address UMTA's continued practice of issuing circulars that are not routine managerial and program issues. Despite the statutory changes added in 1987, UMTA has used the circular method for promulgating policy. The proposed amendments would require UMTA to use the Federal Register and the NPRM process for general policy changes, and would force UMTA's action by providing for the sunset of requirements that were not issued through the notice and comment process.

(2) **Project Management Oversight:** The Project Management Oversight provisions (section 23) would be amended to provide that the source of funding for the PMO program would be UMTA Administrative Funds rather than take-downs from the various grant programs. The amount would be the same as currently (1/2 of 1 percent of various grant programs).

(3) **Public Hearing Requirements:** Amendments will be drafted to ensure that the public hearing requirements for section 3 would be the same as those for section 9--that is, no actual hearing would be required, but rather section 3 grant recipients would have to "afford the opportunity for a public hearing to obtain the views of citizens" on the proposed project.

(4) **Use of Force Account:** Language will be included (probably in section 12--General Provisions) which would provide that grant recipients would be permitted to utilize "Force Account" labor on UMTA funded projects without being required to provide UMTA with special justification for doing so. That is, the discretion to utilize "Force Account" labor would be entirely with the grant recipient.

(5) **Program of Projects--Over-Programming:** The program of projects concept in section 9 would be modified to permit the utilization of a "moderate over-programming of funds for contingency project." Such a change would permit the grant recipient to program funds for unforseen needs, and also to utilize section 9 funds in the case of insufficient funds under section 3.

(6) **Vehicle and Equipment Inventory:** The requirement in section 9 concerning "satisfactory continuing control" of facilities and equipment would be modified to require that an inventory of federally funded vehicles be maintained, and that no list of track and/or signal equipment would be required. Such equipment would be assumed to be in transportation service so long as the line or facility is operational.

(7) **Single Certification Requirements:** Amendments will be made to the single certification requirements of section 9 to provide that all required certification would be incorporated into a single certification and standard assurance to be submitted annually as part of the section 9 application. DOT would be required to publish an annual list of all certifications that would be incorporated into the single certification.

(8) **Advance Construction Authority:** The Advance Construction Authority provisions would be amended to allow grant recipients to proceed with a project without a formal Advance Construction Contract or Letter of No Prejudice if the grant recipient notifies UMTA that such project is being undertaken and certifies that all applicable federal requirements will be met.

(9) **Charter Bus Requirements:** The Charter Bus requirements would be amended to permit any public body receiving federal financial assistance to provide charter service within the area in which it provides regularly scheduled public transportation service provided that fully allocated costs are charged. "Fully allocated costs" would be utilized in order to ensure that the public body does not compete unfairly with the private sector, and an appropriate definition of "fully allocated costs" would be developed.

(10) **Section 16(b)(2) Program:** Section 16(b)(2) would be amended to permit private non-profit transportation providers to lease vehicles funded by UMTA under the section 16(b)(2) program to public transit providers for operations under the same conditions that UMTA permits the lease of such vehicles to private for-profit operators.

RELATED FINANCING ISSUES

Taxation of Employer Subsidized Transit Fares

The current taxation of employer subsidies for transit use should be modified to ensure that transit subsidies are not taxed at a higher rate than employer-provided parking subsidies. Any revenue loss from such a change should be offset by a limit on tax-free employer subsidies for parking or similar means.

Modification of Restrictions on Use of Gas Tax Revenues

Any increase in the federal gas tax dedicated to transit should be accompanied by modification of the law governing delivery and use of such revenues. Some portion of this tax should be allocated directly to designated recipients on a formula basis.

Public agencies should be given authority to pledge future allocations of the tax even beyond the authorization period to meet debt service on bonded debt. Transit operators should also be permitted to borrow from balances in the Mass Transit Account and make repayments from either local revenues or their share of future federal grants.

Tax Exempt Financing

Consideration should be given to changes which enhance the use of tax-exempt financing by state and local authorities and which otherwise eliminate unnecessary restrictions on how those funds are raised, invested and used. The use of tax-exempt financing should be permitted for public sponsored transit projects even if construction and operations are carried out by private industry. Transit projects should clearly be among authorized activities. No distinction should be drawn between acquisition and construction costs. Multi-year contracts and advance approval of construction should be encouraged. Transit operators should have the option of funding self-insurance reserves, and disincentives to private investment in transit infrastructure improvements should be eliminated.

Table 1: Summary of Proposed Distribution of Funds at Full $11 Billion Program Funding Level

Section and Program	Percent of Program	Funding Amount First Year
TRANSIT CATAGORICAL AND REINVESTMENT PROGRAM		
Section 3: Discretionary Grant and Formula Rail Modernization Program	26.19%	1,702,350,000
New Start Portion, Discretionary	11.64%	756,600,000
Bus Capital Portion, Discretionary	2.91%	189,150,000
Rail Modernization Portion, Formula	11.64%	756,600,000
Section 9: Block Grants	64.03%	4,161,850,000
Section 9 Bus	44.61%	2,899,688,834
Section 9 Fixed Guideway	19.42%	1,262,161,166
Section 18: Rural Formula Grants	3.08%	200,000,000
Research, Training, and Human Resources Programs	3.00%	195,000,000
National Research and Training Program (See Note 1)	1.00%	65,000,000
State and Local Planning and Research (See Note 2)	2.00%	130,000,000
University Transportation Centers (See Note 3)	---	5,000,000
Section 103(e)(4) of Title 23, USC: Interstate Transfer (See Note 4)	1.00%	65,000,000
Section 16(b): Elderly and Handicapped	1.54%	100,000,000
Section 12: UMTA Administration (See Note 5)	1.17%	75,800,000
Total Transit Categorical and Reinvestment Program	100.00%	6,500,000,000
FLEXIBLE USE PROGRAM (See Note 6)		
Discretionary Funds	15.00%	675,000,000
Formula Funds	85.00%	3,825,000,000
Total Flexible Use Program	100.00%	4,500,000,000

Note 1: Includes funding for Section 4(i), Innovative Techniques; Section 6, Research, Development, and Demonstration Projects; Section 10, Training; Section 11(a), Research and Training in Urban Transportation Problems; and Section 20, Human Resource Programs; plus new research programs.

Note 2: Includes funding for Section 8, Planning; and Section 18(h), Rural Transit Assistance Program; plus new research programs.

Note 3: Funding continued from the Highway Trust Fund, dollars not included in totals.

Note 4: An estimated $320.7 million remains to be funded from the Interstate Transfer program; $65,000,000 is an average value for a five-year program, amounts for specific years at the start of authorization period could be higher.

Note 5: Includes one-half of one percent project management oversight set aside for sections 3, 9, 18, and Interstate Transfer taken from section 9.

Note 6: No funds are to be appropriated for the Flexible Use Program until the Transit Categorical and Reinvestment Program is fully appropriated at authorized levels each fiscal year.

Table 2A: Transit Categorical and Reinvestment Program Funding by Section, Millions of Dollars

Section and Program	FY 1991 Actual Appropriation (Millions)	Proposed Reauthorization at Alternative Total Funding Levels for FY 1992					
		$4,000.00 (Millions)	$4,500.00 (Millions)	$5,000.00 (Millions)	$5,500.00 (Millions)	$6,000.00 (Millions)	$6,500.00 (Millions)
(Column A)	(Column B)	(Column C)	(Column D)	(Column E)	(Column F)	(Column G)	(Column H)
Section 3: Total	1,115.00	1,256.63	1,345.78	1,434.92	1,524.06	1,613.21	1,702.35
New Starts, Discretionary	440.00	516.34	564.40	612.45	660.50	708.55	756.60
Bus Capital, Discretionary	220.00	212.56	207.88	203.20	198.51	193.83	189.15
Rail Modernization, Formula	455.00	527.73	573.50	619.28	665.05	710.83	756.60
Section 9: Total	1,734.60	2,380.32	2,736.63	3,092.93	3,449.24	3,805.54	4,161.85
Bus, All Tiers	1,208.55	1,658.44	1,906.69	2,154.94	2,403.19	2,651.44	2,899.69
Fixed Guideway, All Tiers	526.05	721.88	829.94	937.99	1,046.05	1,154.10	1,262.16
Section 18: Rural Formula Grants	65.40	97.86	118.29	138.71	159.14	179.57	200.00
Research, Training, Human Resources, and Planning	63.00	94.83	114.86	134.90	154.93	176.97	195.00
Interstate Transfer	160.00	65.00 (a)	65.00 (a)	65.00 (a)	65.00 (a)	65.00 (a)	65.00 (a)
Section 16(b)(2): Elderly and Handicapped	35.00	50.67	60.54	70.40	80.27	90.13	100.00
Section 12: UMTA Administration, Total (b)	32.60	54.68 (b)	58.91 (b)	63.13 (b)	67.35 (b)	71.58 (b)	75.80 (b)
Total	3,205.60	4,000.00	4,500.00	5,000.00	5,500.00	6,000.00	6,500.00

(a) The unappropriated balance of the Intersate Transfer program is estimated to be $321 million or approximately $65 million per year for five years. The $65 million value is only used to illustrate an average, the actual appropriation of Interstate Transfer funds could be greater in the first years of a five year program.

(b) Includes one-half of one percent project management oversight set aside for sections 3, 9, 18, and Interstate Transfer taken from section 9. These funds are included in sections 3, 9, 18, and Interstate Transfer, rather than in UMTA Administration, in FY 1991 actual appropriations.

Table 28: Transit Categorical and Reinvestment Program Funding by Section, Percent of Program

Section and Program	FY 1991 Actual Approp- riation (Millions)	Proposed Reauthorization at Alternative Funding Levels Percent of Funds at Selected Levels for FY 1992					
		$4,000.00 (Millions)	$4,500.00 (Millions)	$5,000.00 (Millions)	$5,500.00 (Millions)	$6,000.00 (Millions)	$6,500.00 (Millions)
(Column A)	(Column B)	(Column C)	(Column D)	(Column E)	(Column F)	(Column G)	(Column H)
Section 3: Total	34.78%	31.42%	29.91%	28.70%	27.71%	26.89%	26.19%
New Starts, Discretionary	13.73%	12.91%	12.54%	12.25%	12.01%	11.81%	11.64%
Bus Capital, Discretionary	6.86%	5.31%	4.62%	4.06%	3.61%	3.23%	2.91%
Rail Modernization, Formula	14.19%	13.19%	12.74%	12.39%	12.09%	11.85%	11.64%
Section 9: Total	54.11%	59.51%	60.81%	61.86%	62.71%	63.43%	64.03%
Bus, All Tiers	37.70%	41.46%	42.37%	43.10%	43.69%	44.19%	44.61%
Fixed Guideway, All Tiers	16.41%	18.05%	18.44%	18.76%	19.02%	19.24%	19.42%
Section 18: Rural Formula Grants	2.04%	2.45%	2.63%	2.77%	2.89%	2.99%	3.08
Research, Training, Human Resources, and Planning	1.97%	2.37%	2.55%	2.70%	2.82%	2.92%	3.00%
Interstate Transfer	4.99%	1.63%	1.44%	1.30%	1.18%	1.08%	1.00%
Section 16(b)(2): Elderly and Handicapped	1.09%	1.27%	1.35%	1.41%	1.46%	1.50%	1.54%
Section 12: UMTA Administration, Total (b)	1.02%	1.37% (a)	1.31% (a)	1.26% (a)	1.22% (a)	1.19% (a)	1.17% (a)
Total	00.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(a) Includes one-half of one percent project management oversight set aside for sections 3, 9, 18, and Interstate Transfer taken from section 9. These funds are included in sections 3, 9, 18, and Interstate Transfer, rather than in UMTA Administration, in FY 1991 actual appropriations.

Table 3: Maintenance Assistance Proposal

Program Name	Areas Included	Funding Limit	Expenditure Limit Funds May Be Applied To	Matching Ratio	Funds That Can Be Used For Match	Total Funds Needed For $6.5 Billion Program
I. Large Rail System Maintenance	Urbanized Areas Over 1,000,000 Population With Heavy Rail Systems Before 1992	100 Percent of FY 1982 Operating Limit*	40 Percent of Maintenance Expense plus Added Costs of Federal Mandates	50/50	Any State or Local Assistance	$443.52 Million
II. Large Urbanized Area System Maintenance	All Urbanized Areas Over 1,000,000 Population Except Large Rail Areas	100 Percent of FY 1982 Operating Limit*	80 Percent of Maintenance Expense plus Added Costs of Federal Mandates	50/50	Any State or Local Assistance	$288.01 Million
III. Medium Size Urbanized Area Service Maintenance	All Urbanized Areas From 200,000 to 1,000,000 Population	100 Percent of FY 1982 Operating Limit*	Maintenance and Service Provision Costs	50/50	Any State or Local Assistance	$192.75 Million
IV. Small Urbanized Area Service Maintenance	All Urbanized Areas Below 200,000 Population	100 percent of Apportionment	Maintenance and Service Provision Costs	50/50	Any State or Local Assistance	$370.44 Million

* FY 1982 Operating Limit equaled the sum of Section 5, Tiers I, II, and III funds.

Senator **Cranston**. Thank you very, very much.

Are those your exhibits?

Mr. **Aoyagi**. Yes, sir.

I'm not sure how we include them in the record. [Laughter.]

With us at the table is Jack Gilstrap, who's a long time leader, nationally, in transit matters, executive vice president of the American Public Transit Association.

Do you have any comments to make at this point, or are you just going to help out?

Mr. **Gilstrap**. Senator, I'd like to yield my time to the question and answer session.

Senator **Cranston**. Fine.

Let me ask Brian Clymer a question.

Would you like to make any comment in response to anything that's been said at this stage, by these witnesses?

Mr. **Clymer**. No, not at this time, Mr. Chairman.

Thank you very much, though.

Senator **Cranston**. Thank you.

The most important issue, it seems to me, before us, is how to deal with the funding, and how to balance remaining highway needs against risking mass transit needs.

The notion that Federal highway and transit funds should be made flexible is going to receive a lot of legislative attention now.

The administration proposal promotes one formulation of flexibility, although it's one that is substantially more generous with Federal transit dollars than with Federal highway dollars.

The key issue, I think, is how we can make sure that localities make use of their highway allocations to achieve and support their mass transit projects, and thus get a balanced, integrated transportation system that maximizes mobility.

That helps motorists and everybody on the highways and freeways and streets by reducing congestion.

And obviously can help with the clean air problems, pollution problems, and the dependence on foreign oil problems.

I need advice on that subject, and how you feel we move effectively on that front, more than on any other single aspect of this matter.

So let me ask these questions, relevant to that:

How would flexibility work in your areas, particularly given the current political and institutional arrangements in your States and in your regions.

And let anybody who wishes to start answering that question, do so.

And then, if others wish to comment, from your point of view, locally, I'd appreciate it.

Let's just start over at this end of the table.

Mr. Watson.

Mr. **Watson**. Thank you for the honor, Mr. Chairman.

I represent the entire State of Florida.

And like the other gentlemen here, who are constrained to one system, I think we have a very diverse State, and it would be a checker board kind of situation.

But I also believe that if it was a level playing field, as we have discussed to some degree, that we would be willing to take our chances.

In our Miami area, they have made a tremendous commitment to public transportation.

The business community and the Miami system, much maligned by the previous administration, is now stitching itself into the Dade County community.

Ridership is up significantly and it's become a vital part of the Miami social process.

I think that they would commit a lot of their funds to public transportation and are, at the State level, trying to get more and more moneys into the transit systems.

And that's even becoming more and more of the process in some of our other areas that aren't quite to that level, particularly Orlando and the Tampa Bay area.

They are inching forward in terms of commuter rail. It's kind of a stop and go situation.

They're not quite to the density of that point, but I think, overall, that we would be willing to take our chances on that if it was, indeed, a level playing field.

In Florida, we have a specific problem.

Mr. Clymer said it's a give and take process.

We don't have enough money for either, because we only get back 53 cents on the dollar that we send.

So I don't know who's taking, but we know who's giving.

And we really need money in both areas.

But I think that we would be willing to take our chances.

Senator **Cranston**. I'd like to ask that as you respond to the question I put to you, you may also add a response to two other questions, if it fits into your thinking.

What changes would have to be made on a programmatic, as well as a political and institutional level for mass transit to benefit from flexibility in your areas.

And what different formulations of flexibility should we consider in developing legislation.

Do you have any comment on those points?

Mr. **Watson**. Only one.

In Florida, we're also wrestling with a capital investment policy.

The State is perhaps not quite gone the specific direction that we'd want to go, and that they're going to look very, very hard at the local commitment in terms of a cluster of zoning policies and tax policies, parking policies, as to whether or not they're willing to support a large commitment in public transportation and public transit project.

That same kind of a filter or an evaluation needs to be done for large road and bridge projects, as well, if you want to have a level playing field.

And so, there is an investment policy or system of ever decreasing hoops that transit systems have to jump through in order to receive the blessing at the Federal level, and to some extent, the State level.

And I think those same standards need to be applied to large road and bridge projects, as well.

Senator CRANSTON. Frank, do you have any comments on this point.

Mr. WILSON. Mr. Chairman, on this score, I believe we can all say the words "flexible use."

But I'm not certain we share a common understanding of what it means.

I will address my thoughts from a local perspective.

Flexible use, I think, in the State of California and in the bay area, we can look at some of its history in the past, in the form of what we call "flexible congestion relief funding," which is a local grant program that can be used either for highways or transit.

And I'm sad to report that transit has not fared very well under those kinds of programs.

I think if you check the record at the national level, Federal aid to urban systems, I believe, has some flexibility that would allow funding to be moved to the transit side.

And I don't think we've really benefited tremendously by those provisions.

I can't explain what the shortcoming has been.

Perhaps it's been the way the program has been set up.

Perhaps it's the measure of control.

But I think that's a subject for significant research.

With respect to whether or not it's a viable program, I've addressed comments to that in my prepared remarks.

And I've got some concerns about whether or not agencies like BART, regional agencies which have essentially no local constituents, we're not represented by mayors, county supervisors, appointees by the Governors, and whether or not we compete well at the table for highway funds, is questionable.

If you listen to the administration's proposal, you seem to hear the sense that we're going to protect transit interests by empowering us with a veto right.

If we don't agree with their spending of the funds, we just don't file an application, cast a vote.

As I said, in some areas, we don't have a vote.

But I think if you go to the table in an adversarial role, we can all embrace the idea, but I think we're all going to be disappointed with the results.

I think we need to focus on ways that we can literally be forced to work together with our companions.

In the bay area, we've got examples where that is possible.

There are programs in corridors that call for mobility improvements; not highway and not transit improvements.

And in fact, we would benefit tremendously and see a leveraged impact if we could join together in an equitable share in terms of whether or not the highway dollars and the transit dollars are equal.

We can be brought to the table in unison to make programs work.

If that's the idea of flexibility, then I think we're four square behind that.

I've got some reservations whether or not it's going to work in practice, this tremendous theory's going to actually bear out in practice in terms of viable results, when we come there very jealously and parochially guarding our own interests, before we're asked to cooperate on a regional level.

So I guess I feel very ambivalent about the notion.

I'm hopeful that we can find, working together with the administration and Congress, ways to promote this joint effort in what I'd consider intermodal project developments, rather than look to a win-loss either-or we spend the money for highways or we spend it for transit; there is a winner, there's a loser.

Senator CRANSTON. Do you have any suggestion for other ways to achieve a balance and a more rational use of resources between highways and transit, other than the flexibility route?

And I'd like to have others respond to that, too, as we go down the table.

Mr. WILSON. I'm not sure.

I think, in a sense, the balance comes from transit enjoying the kind of national commitment to a long-term investment program that the highways have enjoyed for a long time.

And I think the reason we see notions of national highway systems be discussed is the fact that there is this tradition of continuing support.

If some of the questions that were raised here by Chairman Riegle are addressed favorably, and that is, that we begin to see financing flow as a function of need, and not as a function of a series of budget crises, then I think we become real players at the table, and we become equitable players in terms of how that Federal dollar is going to be spent ultimately.

So if we can envision a system of nationally significant transit systems, my colleague in New York says he owns one.

I believe we all own one.

In our respective areas, we all contribute to the achievement of national goals and objectives.

And that should be the driving force that says there's a long-term permanent commitment of the Federal Government to support transit systems.

And so I think I heard the phrase, recently, we need to map the miles, as we map the highway miles, we map the transit miles, and we say that we look for the Congress to declare its intent to continue to fund transit as a real long-term partner in the Federal local equation.

Senator CRANSTON. Thank you very much.

Mr. Stangl.

Mr. STANGL. Senator, I think others have suggestions on how to level that playing field, which is one of the key things, and to make the rules fair.

I have a hard time even getting to the discussion of flexibility without meeting our basic needs.

And that's why I said in my comments that once we get to a level of, APTA says it's $6.5 billion, to meet basic needs, and maybe there's a way to get to $5.5 billion in fiscal year 1992 realistic terms, then I become open to discussions on flexibility.

I really have a hard time dealing with it until we do get to a basic level of needs being met.

With respect to how do we redress the balance, I think we have to do it by changing the ratio that Lou Gambaccinni mentioned, of 6 to 1 of highway to mass transit money.

And more money always helps.

And I do think that as we look at the numbers and we look at restoring the general fund support, and a real use of the one-half cent and the gas tax, that we can realistically get close to the $5.5 billion I mentioned earlier.

Nothing helps like a little bit more money.

And I don't think we're being unrealistic in looking at $5.5 billion.

Senator **Cranston**. Mr. Gambaccinni.

Mr. **Gambaccinni**. Mr. Chairman, I've been kind of rough in my comments about the administration proposal.

I would like to say that I do believe Brian Clymer and Tom Larson are very sincere.

And, indeed, in Brian, we have the most rigorous, vigorous advocate we've ever had for transit in that office.

I've known all the prior occupants of that office.

However, I have to disagree with him as to the significance of flexibility.

I think it's well intended.

I think it was originally sincere in motivation.

But I personally believe it will have absolutely no impact under the presently outlined proposal.

I have a simple cure, and it goes like this:

Assure that the rate of growth of highways, from this point forward—the rate, not the dollar amount—is no greater than transit.

In that kind of a dynamic, transit will fare fine.

And second, that the base for transit should be the 1981 level escalated for inflation, which is the $6.5 billion that APTA talks about.

Third, that the matching ratios be the same.

I submit those are three modest proposals.

If anything, they perpetuate a bias that's already built in pro highway.

Unfortunately, at the State and local scene, as at the Federal scene, most of the institutional mechanisms are overwhelmingly biased in favor of highways.

In our own State, as is true in many States, we have a constitutional prohibition on the use of highway funds, gas tax funds, for anything but highways.

So I think this is the point where the Federal Government can show some real leadership in trying to communicate to State and local levels, as well, the need in this day and age to show the flexibility and to move as best we can.

There was a brief flurry, some years ago, with a 3-C process and the pressure by the Federal Government, to require metropolitan regional planning and a decisionmaking process that would help to facilitate flexibility and evenhandedness.

I think it was a net plus although, for the most part, it was not successful in most metropolitan areas.

But nevertheless, it shouldn't be written off as a hopeless cause.

I think we've got to keep trying to develop the mechanisms to assure, to the greatest extent, evenhanded, fairminded and balanced approach to decisionmaking.

I served as a commissioner of transportation of a State, New Jersey.

I think well of our Department of Transportation in Pennsylvania.

But I can assure you, from my experience, that DOT's, themselves, are institutionally overwhelmingly highway-oriented.

And to suggest that they'd be the instrument through which such flexible transfers of money, highway to transit, would indeed achieve a new level of flexibility, I think, is an incredible reach and just beyond belief.

Thank you.

Senator CRANSTON. Mr. Aoyagi.

Mr. AOYAGI. Mr. Chairman, I'm from the great State of Maryland.

And we do and are very fortunate to have a transportation trust fund that pays for both mass transit, as well as highways.

We're also fortunate to happen to have a Governor who is very strong and protransit.

Both of which, I believe, are essential to maintaining the balance between the typical highway orientation of a transportation department, and the need for transit that is concentrated in our urban areas.

The State of Maryland pays, in large part, for the transit services that's operated by MTA, which covers all transit services within the State of Maryland, except for Montgomery County and Prince George's County.

The State of Maryland also then pays for services within Montgomery County and Prince Georges County on a formula basis.

Essentially, in terms of the flexibility that we're talking about, the State assures that the core needs for transit are met first.

The State meets the basic level of transit services. It funds operating assistance, the capital assistance that's required for buses, rail and equipment, and the investment of the heavy rail in the city of Baltimore, including extensions thereto.

In terms of future movement of highway funds to transit, we deal with the issue of attempting to move people, not cars, when determining the needs for capacity expansion.

And as we look at investments for highways versus transit, the issue focuses upon how to increase capacity in the most effective way.

Essentially, I think what's occurring in Maryland is very similar to what the APTA's proposal is, and that is to say, the core needs of mass transit must be met, first.

With additional money, you apply that to capacity issues for either highway or transit, and you make the decisions on cost effectiveness.

But in doing so, you should make sure that there is adequate funding, and that the rate of growth for money that's available for funding should be approximately that for highways.

You remove any bias in terms of investment decisions for transit or highways.

In Maryland, they pay 100 percent of the local match for capital.

So certainly, in attracting Federal dollars with local dollars, one should not have the bias that it's cheaper to build a highway than a transit project.

And, last, the justification requirements should be looked at equally for transit facilities, as well as highway facilities.

Senator CRANSTON. Thank you very much.

Yes, Jack?

Mr. GILSTRAP. Senator, I would just like to add one observation about the flexibility issue.

And it is this:

On the highway side, the administration, in effect, proposes to protect a core highway program from flexibility.

In other words, 75 percent of the program is not available for flexibility, whereas the entire transit program is.

And I think what we're saying here is that, where we have had 10 years of decrease in the mass transit program, we're way below the core now.

We need to get back to a core which would be comparable to what the highway folks are protecting, that's 75 percent of their program.

And then, at that point, forward, I think we could begin to seriously address flexibility on the transit side.

In response to your question of what other statutory consideration might be given, I would like to reiterate the comments made, I think, by my colleague from Florida.

Transit projects must go through a very extensive alternative analysis process which you know so well, having followed the Los Angeles project for so many years, whereas, a comparable process is not required for highways.

Although both must do environmental studies, they certainly must not go through the indepth look at alternatives on the highway side that the transit side must.

And I would urge that be one place where there be a look taken.

Senator CRANSTON. What do you think should be done in that respect?

Mr. GILSTRAP. Well, I think we need to have, in those areas particularly, where they're facing nonattainment clean air sanctions, and the need to really address vehicle miles traveled, I think, before any highway project goes forward, those Clean Air requirements must be a major consideration.

And the consideration, too, of whether there is a better way to provide the mobility than simply adding more lanes or building more roads.

That has to be part of it, if we're going to talk energy conservation and be true to the promise of the Clean Air Act.

And then, finally, I would say that in the urban areas, it strikes me that the MPO's, metropolitan planning organizations, and local government officials, need to have a stronger say about whatever modal solution is going to be applied, whether it's highways or mass transit.

And I don't think they have that strong say today over the highway side as they really do over the mass transit side of the picture.

Senator CRANSTON. Thank you very much.

Mr. GAMBACCINNI. Mr. Chairman, I left out a thought I wanted to raise.

And that is, a year ago, at the time the National Transportation Policy was being unveiled by the President, there was a lot of discussion at DOT about level playing fields.

The design of the new reauthorization bill could not go further in the opposite direction.

I would suggest that the Senate charge the Department of Transportation with a rigorous requirement to itemize all the ways in which the playing field is not level, to develop a game plan over time.

I recognize that the effort to right or level the playing field overnight, is beyond political capacity to deliver it, for a variety of reasons, perhaps beyond the financial capacity.

But it seems to me that unless there's a will and a purposefulness in setting a set of targets and goals to try to indeed achieve a level playing field, then we're just going to continue to wallow into the future, as we have in the past.

And rue the day, later, that we've gotten into such depths of crises that I predict will be upon us in 5 to 10 years.

Thank you.

Senator CRANSTON. Thank you very much.

The rest of my questions are not going to get on the table.

And I'd ask each of you to respond, so whoever feels impelled to start answering, please do so.

And then others of you, if you want to agree or disagree, or give some other type of response, why, please do so.

On operating assistance, the administration argues that the Federal role in mass transit should be limited to capital expenditures.

They say the amount of Federal operating assistance to larger transit systems is so insignificant, as Mr. Clymer said this morning, that it can be eliminated without significant pain and suffering.

They further argue that the assistance is primarily used as a labor giveaway to unionized bus drivers and train operators.

So, in that topic, what are the primary uses of Federal operating assistance?

What would be the effect of eliminating it for larger systems?

What measures would larger transit authorities undertake to make up for the loss in Federal operating subsidies?

How would the elimination of operating assistance affect ridership?

And how would it affect service in low-income communities.

Who wants to start?

Mr. GAMBACCINNI. There's a touch of irony in the comment that, because it represents so little of our budget that, therefore, we won't miss it.

In our case, SEPTA, 10 years ago, it represented 17 percent of our operating budget, Federal assistance.

Today, it's 4 percent.

That 4 percent, however, is not insignificant.

It's $27 million.

The impact of eliminating that almost certainly would require a fare increase.

We've had a fare increase of 25 percent in the last year.

An additional 15 percent, I think, would be catastrophic, given the nature of our city; a high concentration of poor, 40 percent of the households without automobile or access to automobiles.

It seems to me that operating assistance is critically vital at this point because of all the other problems of finance that confront us.

We are short in all respects; capital and operating.

I, for one, would have to say that we are absolutely in need of that operating assistance.

We cannot operate without it.

And, again, down the road, if capital is increased very substantially, and along the lines I alluded to before, that there is a contract, and there is a clear sharing, perhaps local and State carry more of the burden of operating, but unequivocally a heftier role on the Federal and State side on the capital, perhaps there may be some room for negotiation.

But until and unless there's some relief in a situation of drastic declines in funding, and the conditions of extremist that confront us at all points.

I carry in my briefcase, an album of photographs of the Market Frankford el which I've challenged several Congressmen and Senators to find me a Third World country that has worse conditions than exist in Philadelphia today.

And I've yet to be responded to.

That's the nature of our capital crisis.

That single line is the eighth largest rapid transit, and that's only a part of our entire system.

So it would be the eighth largest in ridership in the country, 175,000 people a day totally dependent on that line.

It is in rapidly growing peril in terms of potential for safety problems.

And we've got to address that.

So, in that context, with an incapacity to repair that kind of thing, to manage a deficit that continues to grow, we cannot absorb the loss of the operating assistance.

Senator CRANSTON. Thank you.

Any other comments? Yes.

Mr. STANGL. I would agree with you.

I would also tell you that the $93 million that New York would lose would certainly result in a fare increase not only on the subway and bus systems, but on the commuter railroads.

It would in fact affect ridership at a time when ridership is declining primarily as a result of the national recession and the loss of jobs.

So we do consider it to be very critical.

Senator CRANSTON. Any other comments? Yes.

Mr. AOYAGI. Just in terms of a comment on where does the money come from.

At the local level, we are really preempted from many of the progressive tax sources—those being primarily preempted by the States and Federal Government.

As a result, the local community has come up with money from someplace else.

The ability to raise money really then focuses upon sources that upon being taxed are very regressive.

We look to property taxes. We look to nuisance fees. We look to parking surcharge fees, and a whole variety of other sources.

I assure you the mass transit industry has been creative in attempting to find funding sources where there's statutory authority.

In the last 10 years to make up for the cutbacks in Federal funds, the local and State funding has increased threefold.

To ask us to go back and try to find more funding at the local level that is regressive, we currently face a tremendous backlash of our citizenry.

I am sure you have heard it, as well, but it is very difficult to find that extra source.

We think the funding should come from the Federal level where the ability to raise that is progressive.

Senator CRANSTON. On rail modernization, one of the most critical transit decisions we will make this year relates obviously to that.

The administration proposal would distribute rail modernization funds by the rail factors contained in the section 9 formula.

All transit systems with rail would benefit from this distribution—not just the old rail systems that are currently served by the program.

The reaction by transit properties to the proposal has been very mixed.

Some argue the rail modernization program should first complete its original mission, upgrading the older rail systems that were not built with Federal assistance before being expanded to meet other rail needs.

Others point out that some systems that used to be new are now maturing and reaching the period where their facilities need to be upgraded or replaced.

APTA has proposed a three-tier distribution to rail modernization funds that would recognize the special role and larger capital needs of the older rail systems.

Some small rail systems contend that a small discretionary program may need to be retained to take account of the large costs associated with major capital projects.

How should we evaluate these proposals? How can we fairly differentiate between the needs of old and new rail systems? And what are the benefits and drawbacks of the proposals made by the administration, APTA, and other organizations?

Who wants to start with that one? Yes.

Mr. GAMBACCINNI. I participated in the rather lengthy APTA meeting that led to the compromise proposal that you just described, and I subscribe to it.

I think it is a perfect compromise, because nobody who participated is happy with it in its entirety, but satisfied that it is, all things considered, the best and most equitable outcome.

It really builds on the notion that there was in fact a contract to modernize the very old systems.

Now I have empathy for newer systems—10, 15, 20 years old—that, if they are not permitted to guard against the kind of decay and deterioration that some of us older systems have slipped into, they will then face the same kind of conditions that we have.

On the other hand, we have not yet broken through. We still have facilities that are 100 years old—bridges, garages, and the like—and I mentioned the Market Frankford el.

So the APTA compromises to maintain the current level and protect it for the eight old cities.

The second tier would share with the newer cities the next increment of some $70 million.

Thereafter, it would go strictly on a formula basis to support all of the rail systems.

I think, given the equities—and there were some extreme positions, but I think that was indeed a fair and equitable outcome, and I think a tribute to all of the people in APTA who believed that it was critically important that we all speak with a single, unified voice rather than fight among ourselves over declining scraps.

Senator CRANSTON. Any other comments on that point? Yes.

Mr. WILSON. This is a secondary comment to Lou's remarks.

Representing a system that is desperately trying not to look like, with all due respect, Philadelphia or New York, we are a 19-year-old organization, and we are getting to the point where we have got to face our midlife crisis, and we do not want it to become a crisis.

So I speak on behalf of the middle-aged systems, and those that are still relatively young.

We have got a chance to do it right. I think we come to the table in support of the APTA compromise.

It was difficult.

It asks us to be patient, and I think if we leverage this kind of cooperation and focus it on the adminstration, perhaps there is more money there, the funding level is greater, and we can get into that second or third tier and really satisfy the needs of the growing and newer systems.

Senator CRANSTON. Thank you.

The administration's proposal would require major metropolitan areas to develop multimodal congestion management systems.

That is clearly a large step in the right direction. Yet, environmental advocates and some transit operators would go even further.

They would give metropolitan areas the responsibility to develop comprehensive strategies that link land use, economic development, air quality, and transportation planning across jurisdictional lines.

Experienced practitioners point out that you have to link planning and budgeting.

Local strategies must be matched with local authority to decide how best to use Federal assistance to meet local transit needs, as well as national, environmental, and energy conservation goals, without regard to the rigid, categorical limitations that have traditionally constrained highway and transit planning.

So the question is: How can such comprehensive transportation planning become a reality in your region?

What are the obstacles that inhibit such planning?

Which institution should do the planning? An expanded metropolitan planning organization, for example? Or some other institution?

And who should participate in the planning process?

Any comments on that? Yes.

Mr. WATSON. I will just say this comment, that in Florida we are hopefully well on our way toward doing that with some very comprehensive State legislation that is currently being implemented.

All localities, counties, and cities are required to submit comprehensive plans to our State department of community affairs where there are all the elements of social aspects of it in terms of infrastructure, as well as transportation, sewers, and so forth, have been reviewed and have to be accepted by the State.

So we are well on our way in that direction.

It is going to be interesting, and maybe we are going to be a bell cow so to speak to see if that works.

But we are going to try that, and we will be glad to come back at a later date and tell you if you are successful or not.

Senator CRANSTON. Thank you.

Any other comments? Yes.

Mr. AOYAGI. Mr. Chairman, Montgomery County, MD, being a suburb of Washington, DC, prides itself upon its ability to rationally plan and to coordinate land use with development and the capacity of our infrastructure to support that.

For us to cede that authority to a regional agency would be very difficult for us.

We have some very strong local controls. Our Adequate Public Facilities Ordinance requires many developments to mitigate trips before they are permitted to develop.

In addition to that, our capital improvement budgeting, which is part of our development of capacity, either for highway or for transit, is included and is an integral part of our annual growth plan where we determine where we allow our community to grow, and where we allow no growth and place those areas in moratorium.

I do not know how you replicate that degree of local control, either at the State level or at the regional level. The details get lost I think in the granularity.

If we are really to be effective, I really think that it requires local decisionmakers to deal very directly with the issue of capacity, infrastructure capacity, to accommodate growth.

Perhaps institutionally you develop those incentives for local communities to accomplish that, such as the concurrency law that the State of Florida utilizes.

But again, to underscore it, it would be difficult to cede that authority either to the Federal Government or to the regional government.

Mr. GAMBACCINNI. Mr. Chairman, I once served as chairman of a Metropolitan Regional Planning Organization, Tri-State Regional Planning Commission of New York.

I think there is potential in regional transit agencies to play a much more significant role than they have.

Certainly in our case, we are the only regional entity that operates over southeastern Pennsylvania, five counties covering 35 percent of the population of the State, but we are totally encumbered or incapacitated by the lack of funding.

We have no capacity to do the planning or to even interact with the municipalities in trying to work on a good faith basis with them on land use planning efforts and, least of all, to provide service.

We have an overarching national crisis of suburban grid lock.

It is now the No. 1 transportation challenge, I believe, of the present decade. We have no financing capacity to deal with that.

APTA's Transit 2000 Plan was very careful to assure funding capacity in its request to permit a dramatic movement in the area of suburban congestion relief.

That is what gets you from $7 billion to $11 billion a year.

I submit that that should be taken very seriously and funded at the earliest date to permit not only much more effective intrusion into the land use planning effort, but also the provision of appropriate service to ease that grid lock and to improve quality of life.

The contrast, once again, is extreme between highway capacity to deal in these matters and transit.

Again harking back to my experience as a commissioner of transportation, it seemed that I had virtually limitless funding to do the planning and to provide all kinds of projects of that sort that I totally lack now in the transit management.

Mr. WILSON. Mr. Chairman, you asked a fair question, but I think it is a difficult question to answer.

Given the fact that most metropolitan areas have planning processes that have been functioning with some relative degrees of effectiveness for a long time, I think the question you have asked is: How does that process become more effective?

As you may know, in the great State of California, there is a great deal of discussion about formation of regional governments.

As you might also expect, there has also been a great deal of reaction to that.

I think you are looking at integrating and reshuffling issues of who controls which aspects of life in a particular region, such as water supply, land use development, economic development.

Some of these issues that we are trying to deal with here today, air pollution, transportation, are truly regional.

But I think the dichotomy we deal with now is, those who control aspects of regional life and those who provide services and try to deal with regional problems are not necessarily the same people.

So if you are looking for meaningful change in ways regions operate, perhaps the issue lies in regional governments.

Since there is an experiment in California, you may want to wait and see what happens there and do it right.

Senator CRANSTON. Last year the Congress enacted two landmark pieces of legislation: The Americans With Disabilities Act, and the Clean Air Act.

The impact of those laws on the mass transit systems will be enormous.

The administration's transit proposal responds to these Federal mandates in a number of ways—most importantly, by allowing a portion of the section 3 account to be used to fund Disabilities' Act or Clean Air projects.

Does the administration proposal adequately take account of the additional burdens that have been imposed by this legislation?

And what additional initiatives should we consider in this year's reauthorization to ensure and to ease compliance with national targets on air quality and access for persons with disabilities?

Mr. Stangl.

Mr. STANGL. Senator, if I might start, as I indicated earlier, just the ADA alone in our area is going to add—and this is a very, very preliminary number—approximately $125 million over the next 5 years.

That is pretty scary.

Anything else we have to do that we may be under pressure to do, and we would be delighted to do, costs money of course, in conjunction with the Clean Air Act would be above and beyond that.

So that goes to the question of adequacy, certainly. Again, I hate to keep saying this, but nothing helps like a little bit more money.

Senator CRANSTON. We have gotten that message. [Laughter.]

Mr. STANGL. I know, but I just think it has to be—you said it yourself in your opening statement, Senator, and I appreciated that.

You said a lot of things, frankly, that we have been saying here and I think we all appreciate that, as well.

But it certainly is true that, as these additional burdens—because no one is going to sit here and tell you that we do not think people should have mobility, but it costs money.

We have got to figure out a way to pay for it.

When resources are insufficient to meet existing needs, to have these piled on top is very difficult.

So a little bit more money helps and goes a long way.

Senator CRANSTON. Yes.

Mr. GILSTRAP. Senator, in response to your question about the administration's proposal, all they are doing is taking money out of the regular funding and putting it over here, and putting another label to it.

So there is not any new money to help us on these programs.

It is totally inadequate, and they virtually ignore those two bills and the impact of them upon the transit industry.

Senator CRANSTON. Let me move to the question of private financing.

The administration proposal clearly emphasizes the importance of leveraging private investment in our public transportation infrastructure.

For example, the proposed amendments to Section 3: New Starts Program, would require applicants to assess the feasibility of using innovative financing techniques.

Many of you, and many of your colleagues, have suggested the Federal Government could do more to facilitate the leveraging of private-sector funds.

You state that the Advance Construction Authority contained in existing law does not work, and that the proposed codification of the Full Funding Agreements in the administration proposal will not greatly enhance the ability to obtain private financing.

So let me ask if you disagree with that statement?

What factors hamper the usefulness of Advance Construction Authority and the Full Funding Grant Agreements?

What more can the Federal Government do to assist localities in attracting private capital to transit projects?

Mr. WILSON. I think if you look at the provisions in the Advance Construction Authority, you have got to question very seriously the motivation behind it.

It appears to us that it is a proposal from a reluctant bride.

When they offer up an ability to give you money, or use your own money and pay over an extended period of time with Federal resources, and you recognize that the first constraint that you have got to deal with is the authorization limits—in other words, you cannot incur an obligation that takes you beyond the authorization period—it becomes a questionable device to begin with.

Second, one of the provisions in the contract would be that you have to play a form of roulette with inflation. Where a debt service is out of balance with inflation, the local property who engaged in this contract would have to bear all that cost.

So I am not certain that we see a true cooperative effort from UMTA or the Federal Government in being a partner under those conditions.

What we propose is to turn bad public policy in the form of Trust Fund balances that were not spent into imaginative, creative public policy.

Now that the industry has borne the brunt and bears the scars of this forced savings program, perhaps we should not permit UMTA to spend it down in lieu of General Funds, but should allow a certain portion of that fund to sit there, in essence, a reserve to liquidate future obligations so to speak.

And if you allow that to happen, you can quickly find that it might be able to provide a technique to bridge these artificial barriers known as "authorization periods" so that we can build together a series of authorizations over time and give us the continuity that we need to invest in these long-lived assets.

The dichotomy we are dealing with here is that we are investing in facilities that have 70- to 80-year lives, and we need to do it in essentially 5-year periods of an authorization, and it just does not work.

It works very well if your intent is to focus down and funnel down the number of projects you can advance at any one time, but it certainly does not act as a device to trigger and stimulate multiple programs going concurrently and in our lifetime.

So the advantage we are looking for in the use of this Trust Fund balance now that has been created as a technique to bridge these authorizations, give us the long-term horizon and the longer fuse to support these programs.

Then give the Federal Government the flexibility of paying off that debt over a longer period of time that perhaps may match the life of the asset as a mortgage might.

In that respect, we can then turn to the private investment community and float that debt and have them be a private partner in this undertaking, putting the full faith and credit of the Federal Government, protected by the Trust Fund balance, as a collateral to that investment.

I think we then more appropriately match construction schedules, authorization periods, and depreciated life of assets.

I think we have got to recognize the advance construction technique for what it is: Very, very limited, and I think its use is an indication of how limited it is.

I know of only one system in Chicago that has attempted to do it.

I don't think you are going to see many people rush to do it.

I think the challenge for all of us is to find more creative ways to use the assets we have.

And by the way, in doing this, a quick calculation shows that we can probably double the amount of new starts that are underway without asking authorization levels to be advanced whatsoever.

And the beauty of it is that it is a continuing, permanent chain reaction if it is set up properly.

Senator CRANSTON. Any other comments on that?

If not, let me finally close with a quite general question.

I will start by asking one of you to respond, and then if the others have a different answer I would like to hear that.

Given the fiscal realities we all are wrestling with, what are the two most important steps that Congress should take in this reauthorization bill to expand support and opportunities for mass transit?

Frank, would you start with an answer to that? What are the two most important things we can do?

Mr. WILSON. Well, I gave you the answer to the second question, so I will start and restate it briefly in generic form.

We need the ability to spend the money you make available to us.

That is very plain and simple. That does not require any more fiscal authority.

That just gives us the access to what you believe we should have.

Second, I think we need to find ways to position the Department of Transportation, specifically UMTA, so that they are a long-term partner in our investment program.

That goes from the formula grants at the right level delivered to us in the proper amounts, and to try and somehow leap across these authorization periods so that they are not used as a hammer against the organization, or as a roadblock for I'd say effective, efficient project implementation—large-scale project implementation.

Those two things do not cost money.

They are just effective management techniques. I will end it right there.

Senator CRANSTON. Mr. Watson, would you have any different priorities?

Mr. WATSON. I would echo the first, which is all the level playing field things we have heard.

The second one would be to return to somewhere close to the 2 to 1 highway/transit ratio of 1980, instead of going to a 6 to 1 in 1995.

I think correcting that balance would be the one thing. Just basic line, take some money out of highways and put it into public transportation.

Senator CRANSTON. Why not 50-50?

Mr. WATSON. Sounds good to me. Sounds good.

May I take one more shot at an earlier question that, if I did not miss it entirely, I think I fouled it off?

Senator CRANSTON. Sure.

Mr. **Watson**. On how to correct the bias in terms of highways, or automobiles versus public transportation, I think the real bottom line to that is that so much of our society, and particularly our transportation activities, are based on cheap gasoline.

I mean, I think that if we had our motor fuel cost even remotely resembling what it does in Europe, which is $4 to $5 a gallon—everyone chokes on that when you think about going to that level—but if gasoline were more expensive, you would have a whole array of decisions made not only in the public sector but the private sector as well in terms of growth and development patterns, certainly vehicle miles traveled, and demand for public transportation.

I think that is the fundamental premise and the difficulty that public transportation faces today.

Gas is just simply too cheap.

Senator **Cranston**. Mr. Stangl.

Mr. **Stangl**. Yes. It has been said, in a sense. Level playing field.

Let us use the General Fund to support mass transit. It is a national priority, or it should be, and let us get some real use out of that one-half cent, and not just a shell game as Senator Riegle and others have talked about.

Those are the issues. That is where it is at, as far as I am concerned.

Senator **Cranston**. Mr. Gambaccinni.

Mr. **Gambaccinni**. Building on that, level playing field, assurance that indeed transit and highways are treated equally with no higher rate of growth by highways.

I would be happy to trade in the General Fund down the road when we get to an 11 cents a gallon gas tax for transit only.

But until that point, it is a terrible breach of faith when Drew Lewis and Ronald Reagan persuaded APTA to go along with a penny and it was on the assurance it would be additive to the General Fund.

In fact, we saw the penny bottled up. Now the General Fund is about to disappear.

So until we restore the imbalances of the past, get a base at $6.5 billion, and build from that base, it seems to me that we have got to hold firm on the level playing field.

Senator **Cranston**. Mr. Aoyagi.

Mr. **Aoyagi**. Yes. I would add, what I think we need to do is to begin by restoring the cuts in transit that have taken place over the last 10 years.

This could easily be done by taking the administration's proposal from the mass transit account, and then adding to that the current levels from the General Fund support.

Maintaining this blending would then move us toward the $6.5 billion level which is precisely what mass transit has indicated we need for fiscal year 1992.

Second, eliminate any bias against transit in matching ratios, justification, and flexibility.

And in any flexibility, I think it is basic that the core needs of mass transit be met first.

In addition to that, I think we need to be concerned about our small and rural properties who are very concerned if any money is given to the State for transit purposes that can be moved to highway purposes; that they will lose out in those rural States that are dominated by highway interests.

So the key factor of making sure that we have designated recipients in any of those rural-type States is very essential to maintaining mobility in the small and urban communities.

Senator CRANSTON. Thank you very much.

Finally, Jack.

Mr. WILSON. Ditto.

Senator CRANSTON. Good. We seem to be in agreement on a lot of points.

I like that "ditto."

That concludes our hearing. I thank each of you very much for your very helpful testimony and for your responses to the questions.

I thank all others who were present for their interest and participation. We stand adjourned.

Thank you.

Mr. GAMBACCINNI. Thank you, Senator.

Mr. WATSON. Thank you, Senator.

Mr. WILSON. Thank you, Senator.

Mr. STANGL. Thank you, Senator.

Mr. AOYAGI. Thank you, Senator.

Mr. GILSTRAP. Thank you, Senator.

[Whereupon, at 12:35 p.m., the hearing was adjourned.]

[Additional material supplied for the record follows:]

Questions of Senator Jim Sasser
for Brian Clymer, UMTA Administrator
March 15, 1991

Q.1. I noted with interest in your written testimony your comments on the increased local share to match Federal funds which is part of the Administration proposal. You state "the experience of the eighties is that States and localities have responded to the challenge [of greater financial commitment to a project] and have significantly increased their funding of transit."

Well, economic conditions are quite different today than in the 1980s. The nation is in a recession. Many State and local governments are under fiscal stress and are in deficit situations. State and local governments have extended themselves to meet the needs of their communities in response to the declining Federal funding for mass transit. Since mid 1980, Federal funding for mass transit has declined by about 50 percent in real terms.

As Chairman of the Senate Budget Committee, I know the gravity of the Federal budget deficit and the need to keep Federal spending down.

a) Do you believe that State and local governments can continue to pick up the slack given the State of the economy and the widespread distress of their budgets?

b) Where would these funds come from? There is only a limited amount of "elasticity" in the amount that fares can be increased without resulting in a decline in ridership to compensate for the loss of Federal funds.

A.1. a) We believe the States and localities can meet the challenge. In the last decade, States and localities have established that they have the political will and financial ability to increase their support for transit. In 1990, States contributed $4.8 billion in direct and indirect funding for public transportation, an increase of 37 percent over the 1984 State amount of $3.5 billion (in constant 1990 dollars). As a result of our recent "over-match initiatives," many grantees have already increased the proportion of local capital investment they are making. This is almost universally true for New Starts.

Additional State, local, and/or private investment in major transit projects will help ensure more prudent project design and control. With the Federal Government funding at the 75 or 80 percent level, there is less incentive for local cost control.

The increased flexibility for State and local governments in the use of Federal highway and transit grants, as proposed in our reauthorization proposal, can result in more flexibility in State and local match for these funds and thus increase the availability of non-Federal match funds for transit.

A.1. b) We are encouraging our grantees to use a variety of innovative financing methods to generate greater revenues. These can include public/private partnerships, benefit assessment districts and the like, as well as capital leasing and "cross border" leases. Again, the States and localities have shown they have the ability to increase financial support for transit.

Q.2. I am concerned that the Administration's proposal for the reauthorization of UMTA would eliminate operating assistance for urbanized areas with populations of one million or more. Losing this source of funding could be devastating for many cities that depend on Federal operating assistance for a sizeable portion of their operating budgets.

For instance, Memphis, Tennessee, which could soon be over the one million mark because its population count is being reconsidered for the 1990 census, receives approximately $3.6 million on Federal operating assistance. This represents over 17 percent of Memphis' operating budget. This is not an amount which can be easily replaced.

How can our cities and States which are increasingly experiencing fiscal stress make up the difference of the loss of Federal operating assistance without dramatic fare increases and elimination of service?

A.2. Implementation of our proposal need not result in any ridership loss at all. Fare increases would be only one of several options available to local transit policy makers.

State and local governments could increase their operating subsidies. In addition, cost savings could be achieved through competitive contracting for selected services.

Even in the unlikely event that modest fare increases were necessary, there is no need for them to reduce ridership. A number of systems in the past few years have adopted innovative fare policies--often called "deep discount fares"--that increase both fare revenues and ridership simultaneously. The deep discount refers to the practice of assessing sharply lower fares on regular transit users, allowing higher fares on infrequent users. Studies show that people who seldom use transit are not sensitive to sharply higher fares than normally prevail.

By targeting fare increases to such passengers, Chicago, Illinois, increased fare revenue by 7 percent and ridership by 1.5 percent. Oakland, California, increased its fare revenues by 14 percent while ridership decreased by 1/2 of 1 percent.

Deep discounting is also being applied in Denver, Miami, Milwaukee, Minneapolis, and several smaller systems, and it is being considered by many additional systems.

Incidentally, local deep discount fare policies would be greatly encouraged by more favorable tax treatment of employer-supported transit pass programs because advance purchase of ticket booklets and monthly passes for regular transit users lie at the heart of the deep discounting strategy.

If transit managers ignored the alternatives to across-the-board fare increases, ridership could be affected. We have calculated--for the 30 urbanized areas with populations over one million--the amount average fares would have to increase to replace current Federal subsidies (based on 1989 data), and the resulting effects on ridership. The ridership loss in these cities would be approximately 3.8 percent of trips in these 30 cities, or 270 million trips per year. The rule of thumb is a 3 percent ridership loss for each 10 percent fare increase.

Q.3. UMTA is currently funded by general revenues and the mass transit account of the highway trust fund. The Administration's proposal would change the funding source to be almost exclusively from the mass transit account which has a balance of approximately $8.5 billion.

With the proposed funding for UMTA starting at $3.3 billion in the first year and continuing at approximately that rate, the mass transit account would be drawn down by the end of the 5-year authorization period. Furthermore, there would not be adequate revenues to replenish the trust fund based on the existing tax structure.

It is estimated that only $2 billion per year will be collected into the mass transit account from the portion of the gas tax designated to it. This would be an insufficient amount to fund UMTA at the Administration proposed levels after the authorization period. Moreover, the one-half cent directed to the mass transit account from the five cent gas tax instituted in the 1991-95 Budget Agreement passed last year will have expired.

What happens in five years? How could the proposed level of funding be maintained? Are you suggesting that we return to the general fund, raise the gas tax, extend the tax imposed by the Budget Agreement? Does UMTA have a long-term view of funding?

A.3. Historically, the Administration has limited its recommendations on the highway/transit bill to the five-year period included in the reauthorization time span. There are a number of significant legal and practical impediments in considering any issues beyond that five-year period.

It is true that our proposal would "spend down" the Transit Account of the Highway Trust Fund. In fact, we are doing this in response to requests from across the country that we should spend down the Trust Fund. Moreover, we believe the Trust Fund provides a stable and reliable source of funding, as opposed to the General Fund, that enables areas to make longer range plans because they have some assurance that those funds will become available, particularly since our proposal would make eighty percent of the funds available on the basis of a statutory formula.

In addition, under our proposal, only $425 million would be uncommitted in the Transit Account at the end of fiscal year 1996. But there still would be about $8 billion in the Account generating interest, and the one cent tax on motor fuels for transit would be collected through 1998. Arguably, this could provide a good basis for any decisions at that time regarding reauthorization of the program.

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COMMENTS BY

ANN HENDERSON

EXECUTIVE DIRECTOR

ARKANSAS TRANSIT ASSOCIATION

BEFORE THE

SENATE SUBCOMMITTEE ON

HOUSING AND URBAN AFFAIRS

MARCH 21, 1991

Mr. Chairman:

My name is Ann Henderson and I am the Executive Director of the Arkansas Transit Association. Thank you for inviting me to submit written remarks to you on the importance of public transportation in our state and how critical federal assistance is to make this basic service available for all Arkansas.

Our statewide association represents over 100 properties supported by the Urban Mass Transportation Administration, and our members include transportation providers ranging from Central Arkansas Transit in Little Rock with 60 buses to elderly and handicapped agencies who serve special constituents throughout the state.

Specifically, Arkansas has three (3) Section 9 urban (fixed-route) systems and seven (7) Section 18 rural (fixed-route and demand response) systems. These are approximately one hundred (100) paratransit agencies that serve their own clientele of elderly and handicapped citizens.

Costs for these transportation providers have risen significantly over the years. The price of vehicles has increased and, in light of the Americans with Disabilities Act and the Clean Air Act, these prices will escalate even higher. Maintenance and operating costs, including higher minimum wages and insurance, and certainly now rising fuel costs, will make it impossible to provide the needed services on current funding levels.

Public transit providers recognize and support the need for good streets and highways. However, more federal assistance for the transportation of people is critical. Public transportation is needed for low income workers, the elderly and the disabled.

Arkansas ranks third in the nation in the percentage of elderly population. We rank near the top in the nation in the total number of disabled people, including the physically handicapped as well as those with mental and developmental disabilities. In addition, Arkansas ranks highest in the country in per capita gasoline consumption.

For each gallon of gas purchased, Arkansas pays one penny into the Mass Transit Account of the Federal Highway Trust Fund. This account is distributed back to the states for transit. In 1988, Arkansas paid over 14.5 million dollars into the MTA Account. However, we received back less than $600,000.00. In other words, for every dollar paid, we get back only four cents! Arkansas ranked 50th in the nation in return of these funds.

There is a bias in the federal funding formulas toward big rail systems. While rail is appropriate for the seven or eight largest areas in the country, the vast majority of the country needs adequate areas in the country, the vast majority of the country needs adequate funding for buses, minibuses and vans. We need an equitable and guaranteed return of Mass Transit Account funds to the states, similar to the guaranteed percentage of money returned for highways. That highway percentage is currently 85 percent. Furthermore, states need the flexibility to use those funds for the Section 18 rural systems.

Urban and rural systems depend upon operating assistance. In real dollar terms, federal operating assistance today is one half of what it was in 1980. A cut or reduction of these funds would certainly have a devastating effect.

Also, federal funding for urban transit needs to have flexible uses. Labor protection legislation enacted in 1964 tends to lock in cities to traditional fixed-route bus and rail services. Public agencies need to have the freedom to direct funds to public and private operators to allow for efficient and competitive services appropriate to the area. The labor protection legislation was modelled after railroad labor measures, which have since been swept away by Congress. Transit should be de-regulated, also.

Arkansas is basically a rural state. Everyday lack of mobility impacts thousands of Arkansans by being the most significant barrier to basic health and human service needs. These individuals must depend on limited public transit, service agencies, family, neighbors, and volunteer organizations for transportation. Less than one-half are being afforded adequate transportation for such basic needs as medical care, shopping, education and employment.

Forty-two counties in the eastern half of Arkansas are part of the region recently studied by the Lower Mississippi Delta Development Commission. Included are some of the poorest counties in the country; and out of those 42 counties, public transportation is available in only six.

Dr. Joycelyn Elders, Director of the Arkansas Department of Health, stated recently that the greatest barrier to health care in Arkansas is transportation. She said that the people who can afford health care have transportation. But people cannot get health care if they cannot get to the service.

To illustrate, let me tell you a story that happened just a few short months ago at one of our rural systems, Mid-Delta Transit in Helena, located on the Arkansas River. A fifteen (15) year old girl with a newborn child met the bus at its scheduled stop in the small community of Marvell. Even though she did not have enough money for the fare, she asked if she could take her baby to the doctor in Helena, some 15 miles away. The driver probably stretched procedures to let her ride free, but it was lucky for the baby that she did. The doctor hospitalized the infant immediately for a life-threatening illness. Fortunately, the child survived.

Indeed, public transportation impacts peoples' lives every single day. It is evident we have needs that are not being met. We are making progress, but there is much to be done.

Recently, Congressman Ray Thornton from Arkansas called for more Federal support of Public Transportation in rural areas. He said, "We need to improve public transit, and we need to strengthen the federal commitment for those people who cannot afford the most expensive form of transportation known to man, which is everybody jumping in his own car and going."

In Arkansas, this private form of transportation is not available to a significant - and increasing - number of citizens. These are transportation-dependent individuals. It doesn't matter how much we spend on improving our highway system; these people cannot benefit because so often they have no means of accessing this basic mode of transportation.

Only through expanded and improved public transportation services can these people reap the rewards of opportunities available to them. Today, I cannot help but reflect that is much easier for a citizen of East Berlin to get to West Berlin than it is for some people to get from West Memphis, Arkansas, to Memphis, Tennessee.

As jobs, goods and services move to regional centers, we cannot afford to leave behind the transportation dependent -- the poor, the elderly, those with disabilities, and willing workers. As we focus on our future, it is imperative that transportation issues go beyond the emphasis on moving vehicles to include strategies for moving people.

Thank you, Mr. Chairman.

Written testimony of Mr. Maurice Smith
Director
Arkansas Highways and Transportation
before the Subcommittee on Housing and Urban Affairs
of the
Senate Committee on Banking, Housing, and Urban Affairs

Mr. Chairman:

My name is Maurice Smith and I am the Director of the Arkansas Highways and Transportation Department. I want to thank you and the other members of the subcommittee for allowing our department to offer its brief written comments on the Urban Mass Transit Administration (UMTA) reauthorization. The President's proposal for UMTA reauthorization contains some new and innovative changes but I fear its overall effects on rural states like Arkansas will be negative.

We are encouraged by the Administration's willingness to fund most of the UMTA programs through the Highway Trust Fund/Mass Transit Account instead of the general funds. This will indeed provide more stability in funding transit programs in future years.

However, the Administration's proposed program will do little to increase funding for rural states such as Arkansas. Arkansas currently receives only 4 cents back for each $1.00 put back into the Mass Transit Account, as shown on the enclosed chart. We have conducted a preliminary analysis of the Administration's proposed UMTA's programs and have estimated that Arkansas will only receive additional $2.5 million annually through the programs. This increase is due to the fact that the STAA authorizes more funds to be apportioned from the Mass Transit Account and not from changes in the funding formula. Without a Minimum Allocation the Return of resources to Arkansas will continue to be less than half of the amount contributed to the Account.

Second, the Administration proposes to decrease the capital matching ratio and operating assistance programs. Rural states often have a difficult time acquiring local match for transit projects since there is usually not a dedicated source of funding. We would like to point out that there are actually few differences in a highway system capital project and a transit system capital project. Both types of projects are intended to improve the mobility of traffic. They are simply applied to a different mode of traffic and funded through a different U.S. DOT agency. Why, therefore, should the federal matching ratios be different? Although we would like the UMTA capital ratio to remain at its current rate, it should not be decreased below the highway capital project rate, 75 percent.

The redefinition of eligible operating expenses will have a negative impact on small urbanized and rural systems. This action will put additional burden on local transit agencies since certain transit expenses will now have to be funded at a higher matching ratio. Rural systems in Arkansas are now having trouble obtaining the necessary local match under the existing program structure. Any changes to that structure will simply compound different? Although we would like the UMTA capital ratio to remain at its current rate, it should not be decreased below the highway capital project rate, 75 percent.

The redefinition of eligible operating expenses will have a negative impact on small urbanized and rural systems. This action will put additional burden on local transit agencies since certain transit expenses will now have to be funded at a higher matching ratio. Rural systems in Arkansas are now having trouble obtaining the necessary local match under the existing program structure. Any changes to that structure will simply compound the problem. Therefore, the only option would be to reduce service that is currently being provided to rural residents.

Third the funding formulas will remain the same under the Administration's proposed program. As in past years, these formulas would benefit the larger urbanized areas (1,000,000 population or more) and would do little to provide additional funds to smaller urbanized areas. A more equitable formula which would provide a greater portion of the funds to areas less than 1,000,000 population should be considered. This type of formula would benefit the rural states.

Fourth, the Administration is proposing to allow funds to be transferred to highway projects provided that the state has met its priority transit needs. We agree with this concept and we urge that the legislation provide more flexibility to the states in determining eligible projects.

In conclusion, we feel these are critical issues which should be addressed in the final legislation if rural states like Arkansas are to maintain their already fragile transit system.

Thank you again for the opportunity to present the views of the Arkansas Highway Department before the subcommittee.

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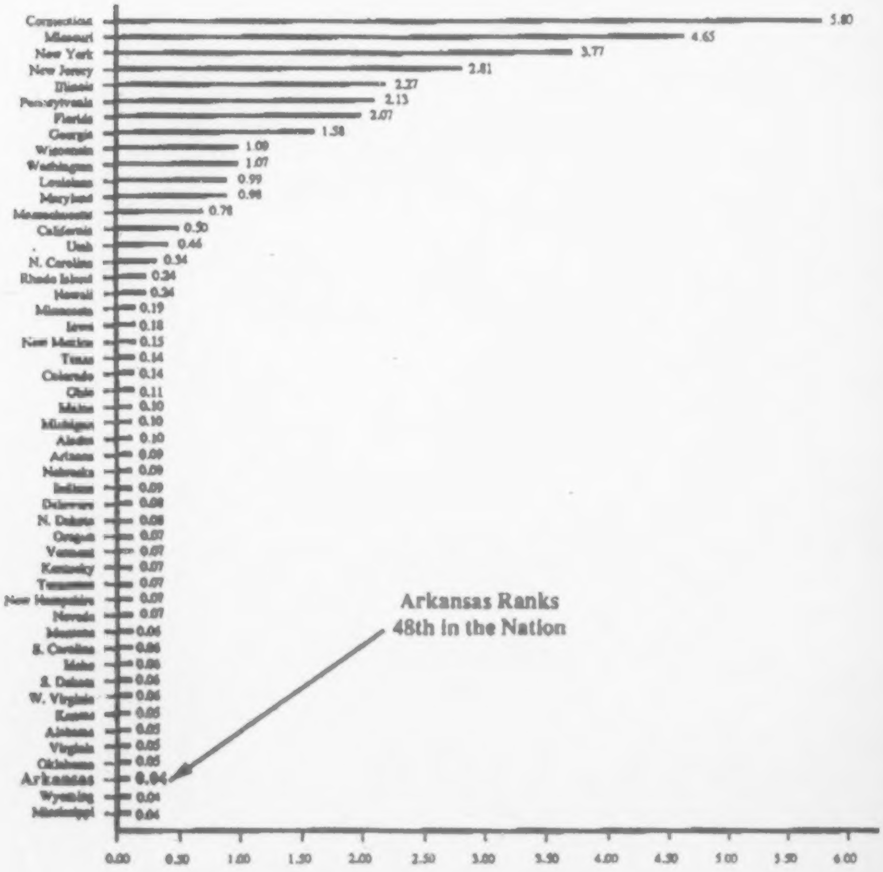
Comparison of States Payments vs. Apportionments from Federal Highway Trust Fund: Mass Transit Account Fiscal Year 1989



Arkansas Ranks 48th in the Nation

Apportionment Ratio (Payments = 1.00)

Source:AHTD:PD:PT:9-90

PROPOSED REAUTHORIZATION OF THE URBAN MASS TRANSIT ACT

WEDNESDAY, APRIL 17, 1991

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS,
Washington, DC.

The subcommittee met at 10 a.m. in room SD-538, Dirksen Senate Office Building, Senator Alan Cranston (chairman of the subcommittee) presiding.

OPENING STATEMENT OF SENATOR CRANSTON

Senator CRANSTON. The hearing will come to order, please.

Good morning. I welcome all of you to today's hearing.

This morning we are going to examine key issues related to reauthorization of the Urban Mass Transportation Act.

This is the second in a series of hearings undertaken by the Senate Housing Subcommittee in an effort to shape a new Public Transportation Act.

In March the subcommittee held a daylong symposium on public transportation that included transit leaders from across the country.

In recent months, field hearings have been held in San Jose, Los Angeles, and Miami.

Our discussion today will be followed by two additional hearings that will focus more specifically on rural and small urban systems, on elderly and handicapped transit, and on the capital and operational needs of transit systems.

This transportation bill comes at an opportune time.

Completion of the Interstate Highway System and enactment of a Clean Air Act have coincided to create the need to revamp Federal transportation policies, particularly those policies that affect metropolitan areas with severe traffic congestion and air pollution.

As it becomes much tougher to build highways in congested metropolitan areas, and as it becomes more urgent to adopt less polluting forms of transportation, we will have to find ways to expand and improve mass transit service.

This year's Surface Transportation Act can move us a long way toward that goal.

Our discussion today will focus on three key issues:

First, we will examine how we can best provide more effective transportation for metropolitan areas and ensure an equitable and flexible transfer of Federal transportation assistance between highway and transit uses.

Metropolitan areas should be able to develop a long-term transportation strategy that integrates all of alternative ways to improve mobility.

Local leaders should be able to decide how Federal highway and transit funds will be used together to carry out that strategy.

Second, we will look at ways to level the playing field and avoid biasing local choices among highway and mass transit solutions.

That choice is now heavily weighted against the selection of mass transit by differences in matching requirements and the availability of local matching funds; by a more burdensome review and approval process for transit projects; and by overlooking indirect benefits associated with transit projects.

Those biases should be removed.

Finally, we will explore ways to provide more efficient project management and financing for major capital projects.

Mass transit operators need longer term commitments from UMTA so that they can implement capital projects more quickly and cheaply.

The subcommittee has been developing the clear framework for new transit legislation.

That framework has emerged during the National Symposium, recent hearings, and numerous discussions with mass transit officials and others who understand the need for improved transit.

Those suggestions are reflected in the discussion draft that outlines some elements for inclusion in a new transit bill.

The discussion draft is intended to help you make more detailed suggestions for improvement.

It touches on each of the key topics we will explore today.

I believe that all of our witnesses were provided with a copy of the working draft prior to today's hearing, and I encourage you to comment on elements of the proposal as you think appropriate.

Let us improve these ideas together.

We have an outstanding group of witnesses here this morning.

I am grateful you have agreed to join us and share your thoughts on Federal mass transit legislation.

Your suggestions or comments today will be most useful as the committee prepares to act on transit legislation.

I urge you not to be shy.

I urge you to be candid, and I urge you to give us the full benefit of your experience and your best judgment.

I would like to say just a few words about the format of today's hearing for those who are not familiar with it.

This is a roundtable hearing.

I have found that this approach produces a much more informative discussion of ideas among witnesses and the subcommittee.

The roundtable will be most useful if witnesses share differences of opinion, as well as areas of agreement.

Please feel free to come into the discussion at any time you want to elaborate upon or disagree with something that is said.

All of our witnesses have had an opportunity to review and refine a list of guide questions to be explored during the hearing.

These are key issues that the subcommittee will have to consider as legislation is being refined.

I will try to move the discussion along to include all of these issues during the time available to us. Our time is short.

We have much ground to cover.

The statement of the witnesses will be included in the record, so we will move right to the first issue for discussion.

But, first, I want to call upon Al D'Amato, the ranking Republican member of this committee.

OPENING STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. Well, Mr. Chairman, let me commend you for today's hearings and the format that you have provided.

I think it is terribly important that we look very carefully at the Surface Transportation Act as proposed by the administration.

And, while we can all agree that the theory of flexibility is one that is important, I think it is equally important to ascertain whether that flexibility is one that is given to transit users.

For example, the administration's reauthorization proposal would enable all transit funds to be used for highway projects if certification is made that transportation needs are met.

However, only a limited amount of highway funds may be converted for transit projects.

I find that rather distressing.

Now I understand the code word is "flexibility," and that is supposed to sell everybody on everything.

But in transportation goals, it would seem to me that there should be no constraints that would inhibit that flexibility, that would give us that opportunity for transit use.

Now while we all agree that the investment in transit helps to achieve a multitude of national goals, it seems to me that we are not doing enough if we limit that opportunity.

Energy conservation, cleaner air, reduced congestion, and increased productivity, and competitiveness are all processes which I believe the transit funding and allocations of funds to the kinds of projects that make the movement of people more economically attainable and meet the goals of cleaner air, reduced congestion, and energy conservation are something that we do not promote enough of.

So I would hate to see legislation that uses the code word "flexibility" but really inhibits and then really detracts from the ability of communities to use mass transit funding, as it has historically, be undertaken by simply glossing over the real implications.

So this hearing is important.

I certainly look forward to today's comments.

I am not going to be able to participate fully because I have, as we all generally do, two or three other hearings scheduled for the same time, but certainly we are going to look at the record very carefully, and I commend you, Mr. Chairman, again for the format and the hearing.

[Prepared statement of Senator D'Amato follows:]

PREPARED STATEMENT OF SENATOR D'AMATO

Mr. Chairman, I welcome today's participants to this roundtable discussion on issues related to the reauthorization of Federal mass transit programs. Today's discussion will focus on the planning process as it relates to flexible funding, leveling the playing field between transit and highway programs and implications of the Clean Air Act on reauthorization legislation and long-term project financing.

We all agree that investment in transit helps to achieve a multitude of national goals including: energy conservation, cleaner air, reduced congestion and increased productivity and competitiveness. Yet, we continue to face proposals that reinforce the historic bias away from transit toward building more highways.

For example, the administration's reauthorization proposal would enable all transit funds to be used for highway projects if certification is made that transit needs are met. However, only a limited amount of highway funds—urban/rural program and up to 15% of the proposed National Highway System funds—could be used for transit projects. I understand that "flexibility" in transportation planning is the goal. But, given our very limited resources and our pressing environmental concerns and obligations under the Clean Air Act, this type of flexibility is symbolic of a continuing bias toward roads, away from transit and away from some very important national goals.

I look forward to today's comments and specific suggestions by our participants on these important issues. Thank you, Mr. Chairman.

I think it is very important that we do get the benefit of those who are out there in the field and who are going to have to live with this legislation.

Senator CRANSTON. Thank you very much, Al.

Senator Sarbanes is a very active and valuable member of the subcommittee, and I would now like to call upon him.

OPENING STATEMENT OF SENATOR SARBANES

Senator SARBANES. Well, thank you very much, Al. I will be very brief.

I see many old friends around the table, and I am delighted to have them back with us and look forward to the benefit of their observations and their wisdom.

I have been a very strong supporter of the mass transit programs not only because of their significance simply in terms of transport, but also what they mean in terms of viable and healthy communities and the very significant environmental benefits that I think flow from an emphasis on mass transit as a form of moving people in urban areas, and what it means for neighborhood development and for planning.

So we are hopeful that we can structure an authorization bill that provides a framework that really induces or energizes the efforts at the State and local level, as well.

We did that with the housing bill last year, and I would hope that we can do the same thing in this mass transit authorization.

There is the additional problem of getting enough funds to match the framework, or to get the framework moving.

That is, as it were, a related but separate problem that we also will need to address.

And of course we have great difficulties there. I perceive much of the submission that we have received from the administration as an effort to mask through changes in the framework the lack of funds.

I just hope that—it is my view that we ought not to develop an inadequate framework simply to cover the shortage of funds.

We need the proper framework, and then we need to work to get a proper allocation of funds in order to make that framework effective.

Otherwise, you have a deficient framework and deficient funding, and you are really in a bad spot, in my opinion.

Mr. Chairman, Ron Hartman, the administrator of our Mass Transit Administration in Maryland, was to be here with us this morning.

Unfortunately, he has had a last-minute event that has come up—I mean a crisis—which makes it impossible for him to be present.

I have his remarks here which I will submit for the record.

Let me just close by quoting his last paragraph.

This is a letter to you, saying:

> We who are responsible for operating the Nation's public transportation systems are most appreciative of your strong and useful efforts to inform the Congress of the issues facing us and the urgent need for adequate transit funding.

And I would like to simply echo his appreciation to you for your leadership on this issue.

Thank you.

Senator CRANSTON. Thank you very much. That will go in the record.

I also will insert in the record today a statement by Senator Riegle, the chairman of the full committee, who unfortunately cannot be with us because of a Budget Committee session.

OPENING STATEMENT OF DONALD W. RIEGLE, JR.

We are at a historic juncture in Federal transportation policy. Development of the Interstate Highway System began during the Eisenhower administration and the Urban Mass Transit Act was created in 1964 to ensure the welfare and vitality of urban areas with deteriorating and inadequate public transportation services. Today, construction of the Interstate Highway System is largely complete and many of our Nation's oldest and largest transit systems have already been upgraded. We must now decide what is the most appropriate role for the Federal Government to play in building and maintaining our transportation infrastructure. This committee has been specifically charged with exploring the role of public transportation in this larger policy forum.

The transportation policy developed by Congress will have a direct impact on the quality of life of the American people:

The policies we adopt will either help or hinder our economic prosperity. A recent study by the Economic Policy Institute concluded that public investment in infrastructure—including transportation—is directly linked to our national productivity growth. Therefore, it is critical that our transportation policy contribute to the efficient movement of people, goods and services.

The solutions we find will either improve or harm the quality of the air we breathe. The recently enacted Clean Air Amendments Act of 1990 made revisions to Federal clean air legislation and is designed to protect the public health by reducing air pollution. Whether we provide adequate tools and resources to comply with this mandate will largely determine how well communities are able to meet their Federal clean air targets.

The course we navigate will determine whether or not our Nation will be able to reduce its dependence of foreign oil. According to the Transportation Research Board, excess fuel consumption is expected to increase by 7.3 billion gallons per year. Our transportation policy must promote increased use of mass transit in order to reduce gasoline consumption.

The answers we find will either increase or decrease the congestion in our cities and on our roadways. The Federal Highway Administration estimates that 11% of all labor force hours are spent in traffic. Furthermore, the Transportation Research Board predicts that the annual delay in travel time will increase by 5.6 billion hours over the next 20 years. The ability of cities to reduce congestion—and the ability of individuals to reduce the personal stress caused by sitting in traffic for countless hours—will depend on whether our policies permit States and localities to use their Federal funds in a manner that best addresses local needs.

Today's hearing is of critical importance as we move through the process of reauthorization of the Federal Surface Transportation Act. Today we will be focusing on the big picture. How does mass transit fit into our national transportation strategy for the next decade. What is the best way to balance and coordinate the needs of mass transit and highways? In essence, we will be focusing on the nexus between highways and transit in the overall structure of Federal transportation policy.

Today we have the opportunity to commit our Nation to a coordinated Federal transportation policy which achieves the objectives I have outlined. However, in order to create such a policy, it will require a high degree of cooperation between all transportation interests. I encourage all of you here today, to commit yourselves to participate in the development of a transportation strategy which will improve the quality of life for Americans today and into the next century.

Senator **Cranston**. I will call next on Senator Specter of Pennsylvania.

Before doing so, let me say that Senator Heinz was a leading supporter of mass transit on this committee.

His death is a real loss for public transit as well as for many, many other important issues.

I and the other members of the committee will redouble our efforts to work with you, Senator Specter, to ensure that public transit leaders in Pennsylvania have a full opportunity to voice the needs of Pennsylvania to be heard by this committee as we develop this legislation.

It is now a pleasure to call upon you, Senator.

STATEMENT OF SENATOR SPECTER, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator **Specter**. Thank you very much, Mr. Chairman.

At the outset, I commend you and this subcommittee for addressing this very important subject, and I commend all those who are present.

You have a very, very distinguished group which can shed considerable light on this important subject.

I thank you for your gracious comments about my colleague, Senator Heinz.

I had wanted to be here this morning especially because Senator Heinz, as a member of this committee, worked very hard on this subject over the years.

On the day the recess started, March 22, he and I had invited Secretary Skinner to Pennsylvania to take a look at the mass transit problems in our State.

The Secretary had to cancel out at the last minute, but Senator Heinz and I started before 7 o'clock and visited the SEPTA system in Philadelphia.

Then we went to Harrisburg and had a meeting of groups from around the State, the central part of the State.

And then up to Pittsburgh on this subject.

I know how keenly Senator Heinz felt about this subject, and it might well be that one of the ways we can memorialize Senator Heinz' work, especially this year, would be to follow through on some of his ideas on funding of mass transit.

We visited the SEPTA system and went into the bowels, deep underground, to take a look at what was happening there and it was absolutely atrocious.

We saw decaying beams, and an infrastructure which was no structure at all.

I know that that kind of a problem is duplicated across the country.

We then were in Harrisburg and had representatives from many communities—Lancaster, and Williamsport, and Wilkes-Barre, and Scranton, and Johnstown—evidencing the fact that mass transit is an issue which is important for more than the big cities.

Then we finished up, as I say, in Pittsburgh and had a special look at a decaying bridge there.

We could have selected any one of dozens, showing the kinds of problems which we face on this highway bill.

If I may make just one or two comments, Mr. Chairman, on the substantive issues—and I am ranking member on the Subcommittee on Labor, Health, and Human Services where I have to attend soon—I am perplexed by the administration's proposal to cut operating funds for cities in excess of 1 million.

There seems to be some thought that those cities have the capacity to generate revenue for themselves, which is really out of touch with what is happening in major cities like Philadelphia.

The tax base has eroded, something which the three members of this committee understand fully from representing California cities like Los Angeles, or Baltimore in Maryland, or Chicago in Illinois.

We have influx from other sections of the country.

We have a population which requires extra help on welfare and education, and we have people fleeing the cities to avoid paying the taxes.

I recollect Secretary of Transportation Drew Lewis' early comment when we were huddled, and Senator Baker, then the majority leader, as we listened to David Stockman slashing the budget right and left, and urban mass transit was one of his favorite subjects.

Drew Lewis made the comment that the people from California had not been on the subway, and it was going to take some educational effort to show them what urban mass transit was if we were to retain any of the funding.

But to take away funding for cities over a million is exactly the wrong direction.

I suggest further, Mr. Chairman, that there are funds available from the Trust Fund where moneys have been paid for the specific purpose of urban mass transit.

And within the rules of the budget agreement to maintain a certain base there, and I think that that is really erroneous, that we ought not to have the Highway Trust Fund and the Urban Mass Transit Trust Fund in the general budget to delude America on what the deficit really is, but we ought to use them for the purposes for which they were intended.

There are significant additional funds which are available there, which we ought to utilize.

The apportionment as to mass transit, looking to a 60–40, or a 75–25, is the wrong formula.

There ought to be the same local match as is present on highways in an assurance of a level playing field.

I believe that the problems are much more critical in 1991 than they were in 1986 when we looked at the problems of the highway bill.

This is a unique opportunity, and we are going to have to use all the brain power and muscle power that we can muster.

I would like to acknowledge the presence of Robert Kochanowski, executive director of the Southwestern Pennsylvania Regional Planning Commission.

I would conclude with emphasis on the point that this would be a real tribute to Senator Heinz on the committee where he served with such importance if we could structure something special which I know was in his plan.

I will endeavor to try to structure some specific proposals to bring before the subcommittee and the Senate to carry out what I know Senator Heinz wanted to have accomplished.

Thank you very much, Mr. Chairman.

Senator CRANSTON. Thank you, Arlen, very much.

We look forward to working with you to fulfill those conceptions.

Senator Alan Dixon, another member of this committee, is now with us and he has a brief statement to make.

OPENING STATEMENT OF SENATOR DIXON

Senator DIXON. Mr. Chairman, I will be very, very brief.

I would like to have my statement placed in the record, and I would appreciate your doing that.

I would just briefly say this: I certainly endorse the statements made by my friend and colleague, Senator Specter.

Just to continue operating expenses, for instance, for the Chicago Transit Authority would cost the city of Chicago $43 million.

Now nobody seriously thinks you can recover that at the fare box.

I see my friends in the administration saying that this national railroad strike is a grave concern for them and can stop the trains all over America and destroy our economy, and I agree with that, and I endorse what the administration said.

I would suggest that this budget will stop the trains all over the United States once again and impact in a very unfavorable way on our economy.

It will stop the buses and other modes of transportation, as well.

I say in this statement, and I say to you all publicly here, we need more mass transit money, not less.

That is the obligation of this committee, and that is the fight we are going to have in this Congress, and I will be a part of that and expect to do all I can to see to it that we get a decent amount of money to support the necessary mass transit in our country.

I thank the Chair.

[Prepared statement of Senator Dixon follows:]

PREPARED STATEMENT OF SENATOR DIXON

Mr. Chairman, I am very pleased to be here this morning. We have a good group of witnesses before us, and I look forward to their testimony.

At the outset, I would simply like to point out that what transit needs is really very simple. Transit needs more—more money, more flexibility in the use of that money, more fairness in matching ratios, both in the programs themselves, and vis a vis the highway programs, more efficiency in how that money is made available and spent, and more commitment from the administration.

Unfortunately, what transit has had over the last decade is less. Transit spending has fallen by over a third while highway spending has risen. Under the administration approach, transit effectively cannot spend the increase in the gas tax that was provided for transit last year. Instead, the part of the gas tax available is used to permit a reduction in general revenue spending for transit, so that there is no net benefit for the transit programs.

Our budget problems do not allow us to fully meet the indisputable infrastructure needs of urbanized areas. However, it seems to me we can do better, and we need to explore creative mechanisms to get the most out of those resources we can make available. Transit needs and deserves additional Federal assistance. I look forward to working with my colleagues on this committee to provide as much additional assistance as we can so that cities can better meet their transportation needs, and to fashioning a bill that does so in a way that maximizes our ability to get the right transportation investment decisions made and implemented.

Senator **CRANSTON**. Thank you, Alan, very much.

On that point of needing more money, obviously it is very difficult to get much more money out of the budget in terms of additional sums that add to the budget. But the highway trust fund does have significant moneys in it, and it seems to me that a main thrust should be to seek to get access through local decision making to determine how to use that money.

If it is used for means other than developing more freeways and highways, the people who have to use those freeways and highways will benefit because there will be less traffic jams that create gridlock in many metropolitan areas across the country. And at the same time, we can meet other needs like cleaner air, alternative sources of energy, less reliance upon Arab Middle Eastern oil, and so forth.

So I believe we have an opportunity, if we are skillful in pursuing it, to get the additional funding needed regardless of the fiscal restraints that face us all because of the budget crisis in our country.

We now go to the roundtable phase of our gathering.

There are five different topics that have been suggested to you for questions.

We will start with metropolitan transportation decisionmaking.

Let me say that people are not going to be called upon in any order for any set speeches. We will discuss the questions briefly, and then whoever would like to start can start, and then others chime in, agree, contradict, and whatever. So we will just have a give-and-take discussion, which I think is the most educational and beneficial way to proceed.

On this topic we are going to start with, you all know from personal experience where the current system is working well and where it is not, and what changes in Federal policy could bring the greatest benefit to the public transit service.

I want to draw on your experience and expertise.

On paper, the current Federal requirements for transportation planning look very comprehensive. They mandate "continuing cooperative and comprehensive" planning to design integrated transportation systems.

The law specifies that metropolitan areas must consider "comprehensive long-range land-use plans, development objectives, and overall social, economic, and environmental system performance and energy conservation goals and objectives."

Yet, in practice most metropolitan areas are a long way from managing comprehensive transportation systems. As Carl Williams noted in his testimony, we have too often had "Balkanized modal fiefdoms" competing against one another for a share of the resources.

The questions before you that I would now like you to discuss with us are:

To what extent are current requirements for transportation planning adequate?

What improvements would foster integrated multimodal decisionmaking within metropolitan areas?

What changes in Federal legislation would create the most effective link between transportation planning and project selection?

What should be the role of States, local governments, metropolitan planning organizations, transit operators, and other key parties?

What protections are needed for areas where the central city is weak and suburban regions dominate the debate?

What incentives for regional or interstate cooperation are appropriate?

Who would like to start?

STATEMENT OF ROBERT KOCHANOWSKI, EXECUTIVE DIRECTOR, SOUTHWESTERN PENNSYLVANIA REGIONAL PLANNING COMMISSION, PITTSBURGH, PA; REPRESENTING THE NATIONAL ASSOCIATION OF REGIONAL COUNCILS, WASHINGTON, DC

Mr. **Kochanowski**. I will start, Senator.

My name is Bob Kochanowski. I am executive director of the Southwestern Pennsylvania Regional Planning Commission in

Pittsburgh, and I am representing the National Association of Regional Councils today.

I would like to say generally that I think that we need to strengthen the process that you talked about in metropolitan areas and build a more effective forum for cooperative decisionmaking under the new act.

By that, I mean the old act of course establishes cooperative planning through metropolitan planning organizations, but in effect those organizations in many respects are weak or emasculated because of some of the regulations.

What I am suggesting is that the new MPO's under the new act should become a stronger forum for cooperative decisionmaking to give transit and all modes a fair shake under it.

To do that, they need to be restructured with balance. By that, I mean there should be a proper representation of urban, rural, and suburban interests on metropolitan organizations almost in direct proportion to population.

They need to have proper modal representation on them, as both highway and transit need to be properly represented, and perhaps equally important there needs to be a proper representation between urban mobility and the environmental interests. And by that, I mean the Clean Air Act is going to have a very substantial effect on mobility and transportation decisions. And the people who carry out the requirements of that Clean Air Act, EPA and other groups, need to be properly represented so that the proper tradeoffs between that act and mobility are made within those MPO's.

The second important thing is that the new MPO's should have a mandate to do the kind of planning that gives fair shakes to all modes. Comprehensive planning needs to include a long-range plan. It needs to include a PIP, and the SIP under the Clean Air Act, and the congestion management plans that have been talked about.

One of the most important elements, however, under the new MPO's are that they need to have the authority to do this empowered comprehensive planning and decisionmaking. They need to have earmarked formula funds, and the resources earmarked for those areas so that there isn't the ability by modal agencies to make end runs around those decisions, whereby today that authority exists for a small category of funds, the urban system money. It does not exist for the other categories of funds.

There should not be allowed transfers outside the region by the State. There should be substantial project flexibility for those moneys and, at the same time, uniform matching ratios so that that process defined clearly to all parties as a collective decisionmaking group.

In that kind of an environment, I think transit will have a fair shake.

The last point I would make is I think there needs to be a substantially greater portion of those moneys earmarked to those MPO's. I do believe the administration's proposal still has a strong preoccupation with that National Highway System that occurs in a number of areas.

I think it is too extensive. A 150,000 mile system nationally is probably beyond what is needed to sustain the true interstate mobility that is needed.

It is suggested that the national interest is only in interstate movements and not regional mobility. I suggest that the national interest in transportation is in true mobility within the urban regions, and it is important to have a greater share of the resources to these flexible metropolitan units that can achieve that mobility in a fair fashion.

I think we should not be giving preference to through trips in the act; that urban mobility is an integrated system and it should be planned and designed by all parties as an integrated system with the authority to implement those projects.

So that is my comment.

[The complete prepared statement of Robert Kochanowski follows:]

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National
Association of
Regional
Councils

1700 K St. N.W., 13th Floor • Washington, D.C. 20006
(202) 457-0710 • FAX: (202) 296-9352

Kochanowski,

April 16, 1991

Honorable Alan Cranston
Chairman
Subcommittee on Housing and Urban Affairs
United States Senate
535 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Cranston:

Thank you for inviting the National Association of Regional Councils (NARC) to testify before your Subcommittee on April 17, 1991 on reauthorization of the Urban Mass Transportation Act.

NARC is pleased to accept your invitation to participate in the roundtable discussion with other public interest groups whose members have a direct interest in urban transit. Consistent with your request, we have reviewed the preliminary list of issues included with your invitation. Our written response to these issues as well as our general view on reauthorization legislation is set out below. We have followed the sequence of issues delineated in your letter.

TOPIC I: More Effective Transportation for Metropolitan Areas

Issue: What obstacles tend to prevent transit and highway agencies from cooperating to produce integrated, multimodal transportation systems at the metropolitan level?

This, of course, is a complex question. Many of the obstacles are created by the current architecture of the federal highway and transit programs. Others relate to the state and local environments in which these agencies operate. But even in this second category, changed federal policies and program structures could overcome the prospenity toward single modal approaches.

Clearly the present categorical system for highway and transit funding discourages multimodal approaches to getting optimum benefits from the federally assisted investments. This problem is further exacerbated by the multitude of categorical restrictions within the federal highway

President
JOHN A. F. MELTON
SCAG
Los Angeles, California

First Vice President
BRIAN CORCORAN
Puget Sound COG
Seattle, Washington

Executive Director
RICHARD C. HARTMAN
Washington, D.C.

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program itself. Ideally, a single transportation assistance program conditioned only by general national purpose performance requirements would be the ideal solution. But time for such a concept has not yet arrived. If we are ever to get to this state it must come through evolution not revolution. In the meantime we can promote integrated, multimodal transportation systems by reducing the current federal barriers.

Of prime importance, we must empower the current metropolitan planning and programming process to become the prime force in apportioning federal assistance by requiring state, transit and local government interests to decide on the use of federal assistance by working collaboratively at the metropolitan level. The particulars on how these changes in the planning process could promote this result are contained in the attached NARC proposal to modify the Section 8 and Section 134 planning requirements in the federal transit and highway programs.

Strengthening the metropolitan planning and programming process must be accomplished with complementary changes in program structure. The basic changes must provide for (1) predictable, multiyear federal assistance for our major metropolitan areas; (2) flexibility in the use of the funds within and across modal lines, recognizing that any allocation of federal assistance must be pursuant to established federal purposes; (3) reasonable opportunity to transfer substantial levels of funds allocated to the metropolitan areas between modal programs; and (4) provision of fair and equitable allocation of federal transportation funds to metropolitan areas based on federally established statutory formulas that apportion such funds to the states, and to the metropolitan areas within the states.

Finally, we must comment on federal tax policy and its effect of distorting the allocation of transportation investments. It is unnecessary to restate the disparate tax benefit that accrues to employers from subsidized employee parking versus transit costs. We need at the very least, a level playing field. A case can be made for encouraging transit over single occupancy auto use, especially in air quality non-attainment areas where over 50% of the nation's urban population now reside. Congress can begin to address this problem by adopting a single policy that does not advance one modal choice over the other. While we recognize that this issue is not within the jurisdiction of your Subcommittee, we believe your urging might impell your colleagues to address this important issue.

Issue: How could refinements in federal law help in removing some of those obstacles?

First, Congress should provide for a uniform federal/non-federal matching requirement for all the programs under the Surface Transportation Assistance Act. Moreover, incentives for investing in projects or activities that have greater benefits in achieving certain national goals or multiple goals should be encouraged by providing bonus funding, absolving the grantee from any non-federal matching requirement and similar approaches that supplement the funds or make them go farther. In any case, differential matching should be avoided or limited, and the non-federal matching share should include private funds that are provided toward federal-aid programs where such funds are dedicated specifically to the federal-aid project or activity.

Second, Congress should provide more flexibility in the use of the federal money. For example, eligible uses should be defined to include projects and activities that respond to the needs, and give the recipient the discretion to apply them accordingly. Transit projects eligible for funding might be defined more broadly to include programs and activities which assist in inducing people to use multiple occupancy vehicles, thus expanding the responsibilities of transit operators beyond their traditional role. In the highway program, eligible activities should include those that either enhance the operations of the existing network or, in air quality non-attainment areas, promote multiple occupancy vehicle use or reduce trips in congested periods.

Another important improvement would be to authorize transfers between modal programs when such transfer is deemed by the parties to the collaborative metropolitan planning process to best meet the needs of the metropolitan area. This policy should be as broad as possible consistent with maintaining the integrity of each modal program.

Finally, and probably most importantly, Congress should ensure predictable, multiyear funding. More effective planning and programming can be achieved only when this condition exists. Therefore, we believe that the bulk of federal funds should flow on a federal formula basis to states and metropolitan areas within states.

Issue: What federal incentives could encourage state and local agencies to improve mobility and reduce air pollution more effectively?

We have suggested measures in answering the previous questions. The most important and effective of these would be to provide supplemental funds, and to require that priority be given to projects and activities that reduce air pollution emissions.

Issue: How can federal legislation create a stronger link between transportation planning and the allocation of federal assistance among specific projects?

The best way to make the planning and programming process more effective is to require the parties to enter into a collaborative partnership where they must sit around the table and negotiate both their long range vision for the metropolitan area, and most effective and efficient investment and services to implement the long range plan.

Critical to the success of such a process is the allocation of federal highway and transit funds by formula to each large metropolitan area. The annual collaborative planning and programming negotiation would determine which programs and activities would be funded. Under this approach, the result of the annual programming negotiation would determine what funds are authorized for expenditure, and would identify the state, regional and local recipients earmarked to receive the funds in that funding cycle. This allocation process would be based on performance requirements applicable to the planning process under federal highway and transit laws. NARC's concept of these requirements for planning and programming are attached to this letter.

Issue: How should the allocation of federal transportation assistance be improved to relate planning at the metropolitan level more effectively to budgeting?

This question has been addressed above, in part, and is more particularly covered in NARC's generic planning process language that is attached. But there are important points warranting restatement here.

The new program architect that Congress develops for reauthorization needs three principle components to make the intergovernmental planning and programming process work effectively. First, and foremost, there must be an adequate funding level to make the parties interested in doing collaborative decision making within the planning and programming process at the metropolitan level. These funds must be allocated to the states and metropolitan areas on a predictable basis. This should be done by formulas similar to those in the current Section 9 and federal-aid urban system (FAUS) programs.

These funds should be allocated annually to projects and activities through the collaborative metropolitan planning and programming processes. This annual negotiation would take place within the context of transportation policies, priorities and programming rules established by the partners -- state, regional and local -- for allocating these monies.

To make the collaborative decision-making process work, none of the parties at the regional table should have an absolute claim on a share of the funding dedicated to the use of the metropolitan area. The successful completion of these negotiations would provide the funding orders to the federal and state DOTs having the custody or obligation authority over the federal funds assigned to the area.

Issue: What should be the role of states, metropolitan planning organizations, transit operators and other key parties?

NARC's collaborative planning model is based on a joint decision-making process where the states, transit operators, and local governments share a partnership interest. Our planning model suggests procedural and performance standards that should ensure fair and equitable treatment of all the parties at the table. To be effective, the federal program architecture must reinforce this process. Again, the process is predicated on negotiation and joint decision-making. Finally, we must address the consequences if the parties should reach an impasse on how all or some portion of the federal resources earmarked for the metropolitan area would be divided or programmed. In such impasse situations, NARC proposes that the funds be held in escrow by DOT until the parties agree. After a reasonable period, the funding would lapse, and be available for redistribution by DOT to states other than the ones from which lapses occurred.

Issue: What effect will the Clean Air Act Amendments have on highway, transit, and intermodal projects in metropolitan areas?

In marginal and moderate areas, the Amendment will have a significant affect. New capacity projects in these areas likely will be designed to minimize induced Vehicle Miles Traveled (VMT) and trip growth.

In serious areas and worse, the impact will be profound. It appears that in most of these regions, transportation investments must first be limited to getting the best practical performance for the existing network. Some regions will have to embark on developing programs that will produce a reduction in VMT and/or trips, or at least a reduction in the rate of growth. Transit, within the broader definition we suggest, will become more important, and investment in such programs and services will have to increase. Finally, in a number of regions, real changes in growth patterns will have to be altered if the area is to maintain air quality standards, and these changes should provide for a better support for transit investments.

Issue: What highway and transit funds should be made available for transfer to other modes?

The only limit to transferability in NARC's view should be on those funds dedicated for maintaining the interstate system, safety, bridge repair and planning and research. This is not an argument for full transferability in the remaining programs. We would support some limits, especially to ensure the integrity of the modal programs. But even these limits would not apply to transfers within non-attainment areas when the clean air attainment needs might dictate the type of program that can be supported.

Issue: Under what conditions should such transfer be permitted?

The collaborative planning and decision making process advocated by NARC should be the mechanism under which transfer decisions are made. In this regard our approach builds on the generally successful experience of Federal-Aid Urban Systems and Interstate Transfer programs.

Issue: What are the benefits and drawback of the Administration's proposal for making highway and transit funds flexible?

First, we believe the Administration's proposal is too timid. More importantly, we are concerned that the proposal does not apply flexibility consistently between modal programs.

TOPIC II: Level Playing Field

The issues encompassed under this topic have largely been covered in answering the previous questions. To reiterate, we support uniform federal matching ratios, and complete and equitable flexibility and transferability in the use of highway and transit funds for a broad range of activities based on the result of a comprehensive regional planning process. The variable matching ratios and inequitable modal treatment proposed by the Administration would perpetuate program biases which often result in investments that best leverage the contribution rather than investments that are most cost effective and efficient with respect to mobility.

TOPIC III: More Efficient Project Management Financing

The issues here have been addressed or are operational questions most readily addressed by transit agencies and their representatives.

Mr. Chairman, this concludes our comments. We would be happy to amplify or supplement our views on these vital questions if you or your staff wish to pursue our responses further.

Again, thank you for the opportunity to give you our views and recommendations.

Sincerely,

John A. F. Melton

John A.F. Melton
President

Draft

Proposed Language on Metropolitan Transportation Planning

Sec._____. Metropolitan Area Planning

(a) Purpose and Objectives. -- It is in the national interest to encourage and promote the development of transportation systems embracing various modes of transportation to serve States, metropolitan areas and local communities efficiently and effectively. To this end, the Secretary shall cooperate with State and local officials in metropolitan areas to develop or support a transportation planning process which shall prepare on a continuing basis plans and programs for such metropolitan areas. Such plans and programs shall be consistent with applicable goals, objectives and policies concerning development, land use, human and natural resources, the economy, environment , system performance and energy conservation. In air quality non-attainment or maintenance planning areas designated under the Clean Air Act, as amdnded, such transportation planning process shall be coordinated with and support the process for developing and implementing transportation measures for attaining and maintaining federal air quality standards.

(b) Designations. -- In each metropolitan area, the Governor(s) and the majority of general purpose local governments representing 75% of the population of the metropolitan area shall jointly designate a single metropolitan planning organization to conduct the transportation planning process provided for under this Section; provided, however, in the absence of state law to the contrary, any metropolitan planning organization designated prior to January 1, 1991, as the metropolitan planning organization for any consolidated metropolitan area shall remain the officially designated planning organization for such a consolidated metropolitan area. In Consolidated Metropolitan Statistical Areas (MSAs), the Governor(s) and majority of general purpose local governments representing 75% of the population of the metropolitan area shall designate to the degree practicable a single Metropolitan Planning Organization (MPO). In the event a single MPO is not designated for such areas, the Governor(s) and MPOs in such region shall agree on an overall coordinating arrangement to reconcile transportation needs between and among the various MPOs in such Consolidated MSAs. Such coordinating arrangement shall also contribute to the development of the transportation element of any State Air Quality Implementation Plan that may be required under the Clean Air Act, as amended.

(c) Planning; Metropolitan Areas of More Than (   ) Population . -- In metropolitan areas of more than (   ) population, transportation plans and programs shall be based on a continuing transportation planning process carried out by the designated metropolitan planning organization in cooperation with the State(s) and transit operators and shall be comprehensive to the degree appropriate based on the complexity of transportation problems in the area, including transportation related air quality problems. The process shall consider all modes of transportation, including intermodal connectivity, and the balance between future development and transportation needs with the requirements to attain and maintain federal air quality standards, including opportunities for corridor preservation and shall include the development of a transportation improvement improvement program. In conjunction with the above, the process also shall consider the impacts of land use decisions on transportation needs including opportunities for corridor preservation. In addition, the planning process shall include an area wide multimodal congestion management element appropriate for the size of the area and the complexity of transportation problems in the area, including transportation related air quality problems, that provides for effective management of new and existing transportation facilities through the use of travel demand reduction and operation management strategies. In non-attainment areas for transportation related pollutants the multimodal plan, Transportation Improvement Program, and transportation system management program shall address air quality needs and shall be coordinated with the process for development of the transportation element of the State Implementation Plan required by the Clean Air Act, as amended. The impacts of proposed action on both mobility and air quality shall be evaluated and least cost alternatives that most effectively meet these objectives shall be expediously pursued. No highway project in metropolitan areas of more than 750,000 population that by reconstruction or new construction significantly increases the vehicle carrying capacity of a transportation corridor shall be approved by the Secretary unless the project is consistent with the transportation system management program and its congestion management strategy. The metropolitan planning organization shall cooperate with the State in the development and implementation of a bridge management system, a pavement management system, a safety management system and a traffic monitoring system as required under the Act.

(d) Planning Procedures and Products. -- In carrying out the planning provisions in Subsection (c), the metropolitan planning organization shall:

(1) adopt, and modify as conditions warrant, decision making rules and procedures that reflect the needs and interests of the State(s), units of general purpose local governments and the transit operators participating in the planning process. Such rules and procedures shall take into consideration such factors as: relative population of units of general purpose local governments; State(s), regional and local financial contributions to the area's transportation facilities and services; and other relevant factors that shall ensure a fair and equitable decision making arrangment for all participants in the planning process;

(2) establish a formula which over the life of the Transportation Improvement Program required in Subsection (d)(4), or a longer period, ensures the fair and equitable distribution of all federal transportation funds made available to the metropolitan area; provided, however, that such a formula also shall ensure fair and equitable treatment of incorporated municipalities of 200,000 or more population.

(3) prepare, and update periodically, a long range transportation plan which addresses the metropolitan area's mobility needs over a 20-year period or longer;

(4) develop a Transportation Improvement Program which meets the requirements in Subsection (c) and identifies the priority projects and services for attaining the objectives in the long range transportation plan. Such Transportation Improvement Program shall be based on reasonably anticipated funding from federal, state, local, and private sector sources, and the requirements on nonatainment areas for meeting federal air quality standards.

(5) develop and maintain transportation systems management program including the congestion management strategy as required in Subsection (c), and further reflects measures that will maximize the effectiveness of the existing transportation facilities and services, and in air quality non-attainment areas, promote attainment of federal air quality standards.

(e) Planning; Metropolitan Areas of Less Than (   ) Population. -- In metropolitan areas of less than (   ) population, the metropolitan planning organization, the State(s), and transit operators shall, as at minimum, meet the requirements of this section by the development of a Transportation Improvement Program that includes all federally assisted projects to be funded within the metropolitan area; provided, however, any such metropolitan area which is designated as a non-attainment area under the Clean Air Act, as amended, shall be subject to the requirements in Subsections (c) and (d).

(f) Certification. -- The Secretary shall certify biannually whether the metropolitan planning process required under this Section substantially comples with the requirements in Subsection (c) and (d). If it is determined that the planning process fails to meet such requirements, the Secretary shall specify the deficiencies and actions necessary to remedy them. The State(s), units of local governments, transit operators and any other participants in the planning process shall have six (6) months following the Secretary's determination to cure the deficiencies. In the event the Secretary finds the cited deficiencies have not adequately been remedied, the Secretary shall place all federal assistance allocated to such metropolitan area under this Act in escrow until such deficiencies have been cured; provided, however, that any federally assisted transportation projects or services which would contribute to the attainment of federal air quality standards within such an area shall continue to be made available to such areas.

4/17/91

Senator **Cranston**. Any comments? Agreements? Disagreements with what he stated?

STATEMENT OF ROD DIRIDON, SUPERVISOR, SANTA CLARA COUNTY, REPRESENTING NATIONAL ASSOCIATION OF COUNTY OFFICIALS; CHAIRMAN, MASS TRANSIT, RAILROAD SUBCOMMITTEE, WASHINGTON, DC

Mr. **Diridon**. Senator, I am Rod Diridon, and I represent the National Association of Counties here, but I also am the past Chair of the three regional agencies in the bay area in San Francisco.

Senator **Cranston**. I want to thank Rod for coming all the way from California.

Mr. **Diridon**. It is nice to be here.

I came by way of Austin this time, Senator.

There is a lot of pollen down in Austin this time of year.

I would like to agree with our good friend from NARC and indicate in every aspect that I do agree.

I would like to stress a couple of points, though, in support.

First, that the major reason why the metropolitan planning process will not work now is that there is not enough money.

If you do not give those metropolitan planning organizations enough money to pass out to build the basic transportation systems and maintain the basic systems, then you cannot maintain control over the constituents within the metropolitan planning areas.

If there is not enough to go around, we begin to fight over the scraps on the floor and we begin to fight each other. So we go back to the first point that was made by you and by each one of the other Senators.

That is, that we need more money for mass transportation.

If that money is created and then shepherded through the metropolitan planning process, that gives the metropolitan planning organizations the power and the authority to require cohesive and cooperative planning at the metropolitan level.

Without the funding, though, you cannot maintain the discipline within the regions to do the cooperative planning.

So it goes back to money.

Two other minor points that I will stress and then save time for others.

Metropolitan planning organizations I think must be population-proportional.

We have some across the United States who are not.

When they are not, there is a tendency for the larger constituent organizations to then drift off and go their own way and begin working directly with the Federal legislature and the State legislators.

When that occurs, then the cooperative planning process falls apart.

If the process is proportional, if the votes are proportional within the metropolitan planning organizations, there is less of a tendency for that fractionalization to occur, and it may be one of the things that your enactment can do, is to require that proportional representation.

I think, rather than pursue that much further, I would like to stress once again the requirement for a level playing field. That certainly is not the case now, and I want to expressly compliment Senator D'Amato for mentioning the fact that all of the transit budget under the administration's proposal would be flexible, while only a small fraction of the highway portion would be flexible. •

That does not make a level playing field by any means. If we are going to have all transit flexible, we should have all highway money flexible.

I am sure my friend, Mr. Francois, will have a comment about that. I will save other comments for later and ask to submit our formal statement into the record.

[The complete prepared statement of Rod Diridon follows:]

NATIONAL
ASSOCIATION
of
COUNTIES

440 First St. NW, Washington, DC 20001
202/393-6226

STATEMENT BY

ROD DIRIDON

SUPERVISOR, SANTA CLARA COUNTY, CALIFORNIA

AND

CHAIR, MASS TRANSIT-RAILROAD SUBCOMMITTEE

THE NATIONAL ASSOCIATION OF COUNTIES

BEFORE THE

THE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

SENATE COMMITTEE ON BANKING, HOUSING,
AND URBAN AFFAIRS

ON BEHALF OF

THE NATIONAL ASSOCIATION OF COUNTIES

APRIL 17, 1991

WASHINGTON, DC

Mr. Chairman, my name is Rod Diridon. I am a supervisor in Santa Clara County, California. Today I am representing the National Association of Counties where I serve as the Chair of the Mass Transit-Railroad Subcommittee of the Transportation Steering Committee.

As you know, Mr. Chairman, transit is very important in Santa Clara County. I am the Chairman of the Board of the Transit District and next week we will complete the final portion of the first phase of our light rail system. We fought a long, hard but ultimately successful battle to build this system. I believe it is the approach that many more communities like ours will have to take if we are to address the problems of urban-suburban congestion, increased growth and development, and environmental issues in our crowded metropolitan areas.

NACo is extremely interested in the reauthorization of the federal surface transportation program. Our Transportation Steering Committee has spent a great deal of time developing a

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*The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban and rural counties join together to build effective, responsive county government. The goals of the organization are to: improve county government; act as a liaison between the nation's counties and other levels of government; achieve public understanding of the role of counties in the federal system.

policy on this issue. For your information, I have attached a copy of our statement. As an organization made up of urban, suburban and rural counties, we believe that what this Nation needs is a balanced transportation policy which looks to both mass transit and highway approaches as solutions to our mobility concerns.

Transit will not succeed without a significantly increased federal subsidy, in some cases to initiate a local program and in some cases to operate it. Like the automobile owner, the transit user is entitled to a reasonable subsidy. Transit appropriations has been cut dramtically by the federal government over the past ten years and we need to restore funding to a level which will meet demonstrated needs.

The Congress must take action to require a spending down of the large balance in the transit account of the highway trust fund. We also believe that, if possible, the general fund portion of the federal transit program ought to be replaced with a dedicated source of revenue. It has been the general fund portion of the mass transit program, Section 9, which has been decreasing during the past decade. Given the budget situation, we would expect this trend to continue. For that reason, we would support additional federal gasoline tax revenue going to transit as part of an overall increase in the gasoline tax dedicated to highways and transit only. However, if Congress cannot raise the gas tax to meet transit needs, NACo would of course support the continued use of general fund dollars.

NACo supports the current structure of the transit program, that is a formula program for capital and operating assistance and a capital discretionary program. This approach has worked well for most communities. We think the current match ratios are appropriate and reject the Administration's proposals to require more local match. We also are opposed to their proposal to eliminate operating assistance in areas of more than one million population. Operating assistance remains a priority for counties. However, more flexibility should be given the recepients of federal transit formula assistance in regard to how they can spend funds. We should not force systems to use capital money to make investments they do not need when they would prefer to use federal money for operating expenses such as maitenance.

The question of flexibility has also come up in the context of spending highway money on transit projects and vice vesa. NACo has proposed a urban/suburban mobility program as part of its proposal for the highway program. This would basically replace the urban system program and would consist of at least those highways currently on the FAUS system. NACo is recommending a funding level of approxamately $2.0 billion for that program. We further suggest that at the option of local government officials, these monies could be spent on transit. The key concept is at the discretion of local officials for they are the ones who can make the best decisions in this area. NACo takes no position on the use of transit funds for highway purposes. However, I think it is fair to say that if the transit program was funded at approximately the same level as FY91 we would be concerned about any substantial amount of those already insufficient funds being used on traditional highway projects.

Small bus and van transit systems are being used increasingly in rural areas. As you know, Mr. Chairman, NACo has many, many rural counties and we are very supportive of the Section 18 program and would like to see it expanded. The federal government needs to do anything it can to improve the quality of life in rural America.

Finally, the federal government should increase its investment in research and development. There needs to be more resources put into developing new technologies for both mass transit and highways. With the emergence of new transit technologies such as magnetic levitation and linear propulsion systems, it is incumbent on the federal government to take a leading role in this field.

This completes my statement.

Statement of the

National
Association
of
Counties

Future of the Surface Transportation Program

This statement was originally prepared by the National Association of Counties' (NACo) Transportation Steering Committee. It was adopted by the full membership at the NACo Annual Conference in July, 1990.

The National Association of Counties (NACo) views the process of developing a comprehensive national program for the future of our transportation system as an important task. Secretary of Transportation Skinner early in 1990 issued the National Transportation Policy which has created a national debate on the issue. Counties own and maintain 1.7 million miles of roads or 43 percent of the total mileage in the United States; 219,000 bridges over 20 feet or 45 per cent of the bridges on the National Bridge Inventory; and own or contribute funding to 25 percent of the public transit systems. The role of the federal government in this post-Interstate era will be a crucial one as those decisions made at the federal level will most certainly impact the mobility and funding questions county officials must address at the local level. While the focus will be on surface transportation because of the reauthorization process in the highway and mass transit programs aviation and railroad issues are important to counties and are addressed in other NACo documents.

Basic Premise

The 43,000 mile Interstate system will be completed in 1991. County officials have supported the construction and completion of this system which has been done almost entirely with federal funds. They supported the Interstate program and investment in the primary system because it was necessary to link the various regions of the country. However, it is now time to change the emphasis of the surface transportation program and to treat local governments as equal partners. While NACo supports continued involvement by the federal government in funding some rehabilitation of the Interstate system, it is now time to allocate a greater portion of the resources of the federal highway trust fund to other systems.

Economic development needs to be a key factor in making transportation decisions in the future. The national and regional implications of such actions must be studied closely. Rather than simply measuring traffic or ridership, we must make decisions based on strengthening our economy and making our goods and services competitive on an international as well as national level. The competitiveness of American goods is undermined by not investing in highways, bridges and public transit—bad roads add costs to American products. The choke points of our economy are in our suburban and rural areas. In suburbia, congestion adds billions of wasted dollars to the cost of moving goods, services, and people. In our rural areas under investment in highways and accelerated deterioration of these same roads make it more expensive to move commodities and discourages new economic activity. Consideration also needs to be given to the implications of transportation related decisions that may result in the development of one area at the expense of another.

Urban/Suburban Congestion

The movement of people and goods and services in urban and suburban areas is reaching a crisis stage. While it is a problem having national implications, congestion is a local concern whether it occurs on county or state roads or on an Interstate highway servicing an urban or suburban area. The Interstates, though constructed to link the nation with a good highway system, have become part of the local road network in many areas with 70 per cent of Interstate traffic now being local in nature. To the highway user it makes little difference who has responsibility for a highway system if that system is congested and not serving the needs of the local public and business community. A revised surface transportation program must consider the new development patterns in suburban counties and the implications of that growth on the ability of citizens to move around with as few constraints as reasonably possible. Such a program must also address the needs of the older urbanized areas which have suffered population decline and may have less ability to pay for improved roads and transit services, while at the same time having areas within them which are experiencing revitalization and growth and thereby generating severe traffic congestion. Both highways and transit need to be considered as solutions.

There is no question that land use planning must be given a high priority as we devise new solutions and develop new programs to solve our growing congestion problem. We must also acknowledge that congestion contributes to a decline in air quality due to auto emissions and the deterioration of road surfaces and that the protection of our environment is an issue which is linked to future surface transportation policies.

Rural Access

Good secondary roads and bridges in rural areas that provide access to Interstates and primary roads are key factors to the revitalization of America's rural counties and to the agricultural, logging, mining and tourism industries. However, our nation's rural secondary highways have for the last thirty years received the least attention from the federal government of any system and their condition reflects this low investment level. Additionally, a substantial number of rural bridges are considered deficient and may represent a danger to public safety. This is ironic for it was the rural farm-to-market system which was the initial reason for the federal government involvement in a national highway program.

While basic maintenance has and should continue to be the responsibility of county government, federal funding for construction and rehabilitation of highways and bridges must grow substantially. The design and capacity of many rural highways and bridges are based on traffic needs of the immediate post-World War II period. The number of trucks and other heavy equipment using these roads has been expanding and more important the weights of such vehicles has increased considerably. It is not uncommon to find trucks with a gross weight in excess of 100,000 pounds using rural roads. This increases the rate of deterioration and requires a substantially heavier investment in reconstruction to adequate standards. Railroad abandonment, which must be reversed, has moved goods off the railroads onto trucks. In 1947 there were 214,000 miles of rail roadway which then dropped to 196,000 by 1971 and to 140,000 in 1986.

A New Surface Transportation Program

The following is a list of categories which would be eligible for funding under the new highway and mass transit program.

4-R/Primary Program

This program would provide federal funds to maintain and upgrade the Interstate and primary systems. However, emphasis should be placed on those sections of the Interstate and primary systems where expansion (extra lanes, for example) and rehabilitation will lead to addressing the congestion problem in urban and suburban areas.

Urban/Suburban Mobility Program

Funding for the urban system program should be increased substantially and be directed at solving congestion and mobility problems, particularly in the larger urban areas and high growth suburban areas. This program should be used to upgrade existing county highways and where appropriate, state highways, in order to relieve traffic on the Interstate system. This program could also be used for building new routes to carry increasing traffic. At the option of local government officials, these funds could be spent on public transit.

States would administer the program in consultation with local government and/or metropolitan planning agencies where appropriate for urbanized areas between 5,000-200,000, while the funds would be passed-through to counties and other local governments in areas above 200,000 population. NACo considers this pass through to be a key component of the future transportation program. Counties are in an excellent position to understand and undertake surface transportation projects aimed at addressing the mobility concerns of their residents. Larger counties have both the planning and engineering expertise to carry out these projects without direct state highway department involvement. In states where local government has little or no transportation responsibility, funds would be spent by the state with consultation required with local government officials on project selection.

Rural Access Program

This program would be directed toward the upgrading, through the substantial increase in funding, of what is now known as the secondary road program. It is essential that rural roads be improved so that they can carry the much heavier loads of today's vehicles and so that they can serve as a link to the Interstate system and to various markets for the agricultural, logging, mining, manufacturing, and tourism industries. The high operating costs to these industries associated with poor roads and, in turn, the cost to the economy as a whole makes the condition of rural roads a national responsibility. Economic development in the future will be accelerated or restricted depending on how aggressively our nation upgrades the secondary road system.

This program could continue to be administered by the states with guarantees of strong county input in the allocation, planning, and project selection process. Another option would be for a consortium of rural counties to enter into an agreement which would allow them to receive funds directly from the federal government.

On roads assisted through this program, state design, environmental, and other regulatory standards would be applied. It is an inefficient use of federal funds to apply federal standards to rural roads.

Bridge Program

The highway bridge replacement and rehabilitation program would remain a separate program. The large backlog of substandard bridges remains at a critical level and a large capital investment is required to rehabilitate and replace these bridges. Counties are responsible for a substantial percentage of both the nations' bridges and those which are classified as either structurally deficient or functionally obsolete. It is important that the percentage of the program dedicated to off-system bridges be increased.

Public Transit

It is the intent of NACo that the transit program retain its separate identity. Transit will not succeed without a significantly increased federal subsidy, in some cases to initiate a local program and in some cases to operate it. Like the automobile owner, the transit user is entitled to a reasonable subsidy.

More flexibility should be given to recipients of federal transit funds in regard to how they can spend such funds—we should not force systems to use capital money to make investments they do not need when they would prefer to use federal money for operating expenses such as maintenance. We would also like to see transit with a dedicated source of funding such as the federal gas tax. The battles of the last ten years over the level of general fund financing have distorted the funding decisions of that industry.

Small bus and van transit systems are being used increasingly in rural areas, especially by special need groups like senior citizens. Such programs should also be maintained and expanded.

Financing a New Surface Transportation Program

Financing the new highway and transit program is central to its formulation. NACo supports the following guidelines or principles.

User Fees

The federal surface transportation program should be user fee based to the extent possible. The source of these user fees should continue to be the gasoline and diesel fuel taxes and the various other vehicle related taxes. All funds generated by these user fees should be dedicated to transportation and not used for deficit reduction. There should not be a turn back to the states of any of the federal gas tax authority.

Increased Investment

All levels of government should increase funding for surface transportation programs with an emphasis on dedicated sources of revenue.

Trust Funds

There is a substantial balance in the trust funds—this balance should be spent down and in the future all trust fund revenues and accrued interest should be allocated in a manner that reflects the spirit and original Congressional intent that accompanied the establishment of the trust funds. The spend down for the highway and transit trust funds should proceed along the following schedule:

HIGHWAY ACCOUNT	TRANSIT ACCOUNT
FY 1991 - $2.7 billion	FY 1991 - $2.5 billion
FY 1992 - $2.5 billion	FY 1992 - $2.5 billion
FY 1993 - $2.5 billion	FY 1993 - $2.0 billion
FY 1994 - $3.0 billion	

Highway Program

In the new highway program, with the exception of Interstate construction which is eliminated, the baseline for all programs should be no less than currently authorized under the existing highway program:

Bridge - $1.6 billion
Urban/ Suburban Mobility - $750 million
Rural Access - $650 million
Interstate 4-R/Primary - $5.1 billion

The $3.0 billion presently being used for Interstate construction should be reallocated. No less than 50% or $1.5 billion should be allocated to the urban/suburban mobility, rural access, and bridge programs. The new Interstate 4-R/primary program would receive the remaining funds. This process will ensure additional federal funds for local governments.

Any new funds which become available to the highway program, i.e. funds from a trust fund spend down or from new gas tax authority, must be allocated on the following formula: 1/3 to the Interstate 4-R/primary program and 2/3 to the urban/suburban mobility, rural access, and bridge programs.

Public Transit

The national public transit program should no longer be funded from the federal general fund. The current one cent from the federal motor vehicle fuel tax now allocated to the Transit Account in the Highway Trust Fund should be augmented, without adversely affecting current and future highway funds, by a share of a new motor vehicle fuel tax to:

1) replace the current federal general fund assistance, and 2) add funding to assist local governments in the completion, upgrade and operation of our national public transit systems.

Match Requirements

Local governments cannot be expected to increase their commitment to the federal program without a commensurate increase in the federal commitment. Local governments already match every federal dollar with three local tax dollars. It must be also recognized that financial resources of many county governments are limited by both absence of a tax base and by state imposed limits on their ability to raise and/or impose additional taxes.

Bond Financing

Tax exempt bond funding should be available for highway and mass transit projects with a minimum number of restrictions.

Planning/Decisionmaking Process

County support for continuing and increased federal funding in surface transportation depends on a strengthening of the federal-state-local relationship. This is true particularly for the federal-aid highway program which has not had adequate local government input. The vast amount of travel in this country is local in nature and the concerns which NACo believe need to be addressed in the post-Interstate era, i.e., congestion, rural access, and economic development, require solutions which must involve local governments.

The states have traditionally been the focal point for most federal highway funds. It can be stated fairly that fifty different systems of funding and planning exist in terms of what approach states use in the allocation of federal highway funds. New legislation should include local officials as equal partners with state officials in the decisionmaking process. The future federal transportation program should not impose a uniform decisionmaking process on all states. It should, however, recognize the degree to which county road needs exist and that these needs must be addressed in an equitable manner. A process must be created by any new surface transportation legislation to ensure that local government officials are consulted and views considered fully as funding and project selection priorities are established within a state.

Other Issues

Mandates, safety and research and development/training are other subjects which must seriously be considered in the development of a new surface transportation program.

Mandates

While certain federal requirements may be appropriate, others simply impose undue burdens on local governments and waste finite resources. There needs to be a differentiation made in imposing design standards at least on lower volume roads, as well as a review of those non-transportation goals which are included in federal surface transportation programs. Federal requirements attached to highway and transit funding should be reviewed and reduced.

Safety

This concern needs to be factored into a future highway program. Clearly, deteriorating roads, deficient bridges, poor roadway design, and alcohol abuse create a safety problem on the nation's highway system. Another aspect of safety which should be addressed is to what extent the federal government will require local governments to allow large vehicles access to all roads.

Research and Development/Training

There is an appropriate role for the federal government in this area. The federal government needs to be involved in developing new technologies for both highways and mass transit systems. With no manufacturers of rail cars left in the U.S. and the emergence of new transit technology such as magnetic levitation and linear propulsion systems, it is incumbent on the federal government to take a leading role in research and development in this field. In addition, the federal government should take a leadership role in providing up to date information on new technologies, management approaches, etc. to local government. The T-2 program is a good prototype for such a program.

For further information on the activities of NACo or to obtain copies of this report contact the National Association of Counties, 440 First Street, NW, Washington, DC, 20001. Telephone: (202) 393-6226.

TRANSPORTATION STEERING COMMITTEE RESOLUTION ON THE FUTURE OF THE FEDERAL SURFACE TRANSPORTATION PROGRAM

WHEREAS, the federal surface transportation program will expire on September 30, 1991; and

WHEREAS, the Interstate highway system is scheduled to be completed in 1991 thereby freeing up a substantial amount of funds; and

WHEREAS, counties own and maintain 1.7 million miles of roads or 43 percent of the total roads in the United States and 219,000 bridges or 45 percent of the bridges in the United States; and

WHEREAS, counties own or contribute to the funding of 25 percent of the public transit systems; and

WHEREAS, the movement of people, goods and services in urban, suburban and rural areas is vital to the nation's economy and its international competitiveness; and

WHEREAS, traffic congestion in suburban and urban areas is reaching a crisis stage; and

WHEREAS, smooth flowing, well integrated highways and expanded public transit are the best methods for meeting clean air standards; and

WHEREAS, county government will be playing a greatly expanded role in transportation in suburban and urban areas over the next several decades; and

WHEREAS, the nation's system of rural roads and bridges, a key factor to the economic vitality of rural areas, is deteriorating at an accelerated rate due to its age, the increasing weights of trucks and farm equipment, and expanding use due to railroad abandonment:

THEREFORE, BE IT RESOLVED that the new Surface Transportation Act contain substantially increased funding for programs which provide assistance to county governments that build, own, operate, maintain, fund, or otherwise have responsibilities for highways, bridges and transit systems and a greater role in the decision making/planning function in regard to these funds;

BE IT FURTHER RESOLVED that the National Association of Counties endorses the following provisions for inclusion in the new legislation:

1. The highway program should be user fee based.
2. The federal subsidy for public transit should come from the transportation fuel tax.
3. The balance in the trust funds should be spent down quickly.
4. The federal-state-local relationship needs to be strengthened. Counties and cities should be considered as equal partners in the new surface transportation program. Many of the problems which need to be addressed in the future are local in nature. Therefore, a process must be established which ensures that county governments are consulted and treated as equal partners in the planning, funding allocation, and other decision making processes.
5. A program continued to provide federal funds to maintain and upgrade the Interstate and primary systems.
6. A suburban mobility program should be created, replacing the FAUS program, which would be directed at solving congestion and mobility problems in urban and high growth suburban areas. These funds should be passed through to areas in excess of 200,000 population and, at option of local officials, could be spent on mass transit.
7. A rural access program be created which would fund the secondary road system (FAS) at a substantially higher level.
8. The bridge program (HBRRP) retain its separate identity with greater funding and a higher percentage of funds dedicated to off-system bridges.
9. The mass transit program would retain its separate identity, with a dedicated source of revenue.
10. Funding for mass transit should be increased and more flexibility should be given to the recipients of transit funding as to whether funds are spent for operating or capital expenses

11. The funding baseline for all programs, except Interstate construction (which is eliminated), should be no less than currently authorized under the existing highway program.
12. The $3 billion presently going to the Interstate construction program should be reallocated with no less than 50% to the urban/suburban mobility, rural access, and bridge programs and the remainder to the Interstate 4R/primary program.
13. Any new funds for the highway program, whether from a trust fund spend down or new gasoline tax authority, must be allocated 1/3 to the Interstate 4R/primary program and 2/3 to urban/suburban mobility, rural access, and bridge programs.
14. Federal mandates attached to highway and transit funding should be reviewed. Those which impose undue burdens on county government and waste finite resources should be eliminated.
15. Safety concerns need to be factored into a future surface transportation program.
16. The federal government should take a more aggressive role in research and development/training.

Mayor Rubach. Mr. Chairman?

Senator Cranston. Thank you, also, for coming a long distance from Arizona.

STATEMENT OF PEGGY RUBACH, MAYOR OF THE CITY OF MESA, AZ, REPRESENTING NATIONAL LEAGUE OF CITIES, AND U.S. CONFERENCE OF MAYORS, CHAIRPERSON, TRANSPORTATION COMMITTEE

Mayor Rubach. Arizona is one of the States that does not go on daylight saving time, so we now share a great deal with California, including the time zone 3-hour change.

I wear a number of hats today, and I suppose I should reveal those various biases to the group so you can decide from whence my perspective comes.

I am the mayor of Mesa, AZ, which is what would be regarded as a suburban city of about 300,000, the second largest city in the Phoenix metropolitan area.

I chair the Maricopa Association of Governments, which is the MPO.

I also chair the Regional Public Transit Authority for the Phoenix Metropolitan Area.

And this morning I am representing as chairman of the Transportation and Communications Committee for the Conference of Mayors, the mayors of the cities across the country; and as representative of the National League of Cities, the mayors and councils from across the country.

So I think I have a sort of all-encompassing view; every pitfall that you can possibly come up with in the devising of the interface between the surface transportation, UMTA, and air quality; we fall into every one of those pits in some way, shape or form.

One of the problems that I think, and I do not disagree with the comments made by my colleagues to the left here, but one of the problems that you face when you do a population, a strictly population weighting—and I will put it in the context of the Phoenix metropolitan area—is that you then give the feeling, and almost encourage the Balkanization of the region by giving the Phoenix representation a veto.

That is going to encourage what we are talking about in the way of interregional cooperation.

So I think there is probably a balance that could be struck, either some sort of supermajority that is needed, or something along those lines that might mitigate that problem and still get to the goal of making sure that those dollars, limited though they are, go to the places where they would meet the most people's needs.

I recognize that that is in Phoenix but a great deal of Phoenix's problem comes from the congestion coming into and out of it from the suburban regions. So that is one challenge.

I also think that there are some very fundamental formulas and just functional cooperative linkages that need to be made in the new transportation legislation, whether on the Senate UMTA side, or on the surface transportation side.

I will give you a "for instance."

For the Phoenix area, we are in Federal region VIII for UMTA, but we are in region IX for everything else.

If we are really serious about talking about tying everything together in a cohesive effort, we might want to take a look at where those boundaries are and how, if we are going to encourage Federal agencies and local agencies to work together, that we are sort of being counterproductive in the rules there.

The other area that I have some concern is that everybody keeps talking about moving people not vehicles, but the formulas still exist that encourage vehicle miles traveled rather than moving people or passenger miles traveled.

I think some serious address needs to be given to that issue.

I know it is complex.

I do not purport to have an answer for it, but as long as we keep the focus on vehicles, we are going to be laying concrete and not moving people.

Another area that I have a problem with that I think is counterproductive to the mass transit goals is allocation of moneys based on gas consumption.

The Phoenix metropolitan area is second only to Houston in the country for gas consumption, and yet we spend most of our time as single occupants in little tin, or whatever they are made of, Plexiglas, fiberglass, whatever, vehicles not even using our high occupancy vehicle lanes on our freeways.

As long as we keep the incentive out there to be vehicles rather than people, we are never going to achieve the goal of mobility.

Another area that we have a concern is as a nonattainment area for clean air.

We are on the vanguard, the cutting edge, the testing ground so to speak for the EPA standards.

We are under actual court directive.

The EPA is going to impose some of these standards on us.

And yet, in spite of the fact that the Clean Air Act has had I think it was $50 million worth of planning money that would work toward coming up with some of these standardizations and programs, none of that money has flowed.

The burden is all on the local groups.

If we are really serious about having a tie between transportation and mass transit and clean air, we need to free up those funds either from that source, or from the Trust Fund, or from someplace else and give some assistance to the nonattainment areas in a way that would be transferable to another area.

We do not have to keep reinventing the wheel and keeping consultants, with all due deference to consultants, alive from place to place where you can almost change the city jurisdiction and use the same material in Denver as you can in Arizona.

So those are some of the functional pitfalls that I see in the proposed legislation as it stands. Thank you for the opportunity to share these thoughts.

[The complete prepared statement of Mayor Peggy Rubach follows:]

Testimony
of
The Honorable Peggy Rubach
Mayor of Mesa, Arizona

on behalf of
The United States Conference of Mayors
and
The National League of Cities

before the
Senate Subcommittee on Housing and Urban Affairs
Wednesday, April 17, 1991

I appreciate this opportunity to discuss the surface transportation reauthorization bill. I am the Mayor of Mesa, Arizona, a city of almost 300,000 people in the Phoenix metropolitan area. I am Chairman of the Maricopa Association of Governments, the Regional Planning Agency for Maricopa County, and Chairman of our regional Public Transportation Authority. I also chair The U. S. Conference of Mayors Committee on Transportation and Communications and am a member of the National League of Cities Committee of the same name. As representative of a large and growing "suburban" city in a large metropolitan area, representative of a regional planning team, and representative of both regional and national urban transportation groups, I am pleased to be able to share with you a perspective from cities on our transportation program needs for the future.

I believe that much has already been accomplished toward reaching a national consensus on the future direction of transportation policy in this country. The U. S. Conference of Mayors and the National League of Cities have been working with numerous transportation coalitions to develop recommendations for a long-range transportation strategy.

Our Transportation Alternatives Group recommendations, Transit Now, the American Public Transit Association's Transit 2000 Project, American Association of State Highway and Transportation Officials' Transportation 2020, Rebuild America Coalition, as well as a U. S. Conference of Mayors roundtable, and a great deal of other public input, helped to shape the National Transportation Policy presented by President Bush and Secretary Skinner. I see a consensus on several broad themes to carry us into the next century, a consensus that is articulated in the National Transportation Policy.

There is a consensus on the tremendous need for investment in transportation -- to reduce congestion, improve mobility, maintain our roads and bridges. There is a strong commitment to maintaining our interstate highway system and continuing a separate capital program for our nation's bridges. There is also a consensus that we need flexibility to meet our transportation challenges. State and local governments need to be allowed as many financing tools as possible.

The United States Conference of Mayors' and the National League of Cities' policies for future federal surface transportation programs are attached to this statement for the record. They both outline a program that includes among other issues:

- preservation and maintenance of the interstate and the existing transit program;
- a separate and flexible urban/suburban program targeted to address the movement of people and goods in the nation's population centers;
- a separate and flexible rural program to address the mobility needs of small communities; and,
- a separate bridge program.

Federal grants need to be flexible enough to meet existing needs, rather than encouraging spending on lower priorities based on available funding. We strongly support flexibility between highway and mass transit grants to accomplish our transportation goals. We also give strong support to the proposal to spend down the highway trust fund balances on needed transportation programs. It is important that we use these funds to meet critical needs rather than leaving them to paper over the deficit. There is a consensus that we need innovation to meet transportation needs. We need new and different financing mechanisms, new partnerships with the private sector. We need to put new technologies into practice. We need to continue to research new solutions and safety measures.

The National Transportation Policy calls for a shrinking of the federal financial role in transportation. The Administration's proposal says that federal funds should be focused on systems of national significance, and the state and local and private share of funding should increase.

The number one resolution from The U. S. Conference of Mayors and the League of Cities on national transportation policy is that the federal commitment in this partnership should not diminish. State and local and private funding responsibilities are already increasing to meet the growing demand. State and local governments cannot bear the additional burden resulting from a reduction in federal funding. Regional transportation is an issue of national significance. We can't function as a nation without regional mobility. We need the federal government as a partner, with funding, to meet these challenges.

The Conference of Mayors and the League also resolve that all increases in the federal gas tax should be targeted for transportation. The gas tax is a type of user fee. It should not be treated as a general fund revenue source, but as a targeted fee, collected to reimburse our treasuries for depreciation of our infrastructure and to pay for providing the capacity to meet transportation demand.

The U. S. Conference of Mayors policy states that "current funding formulae are improperly weighted against metropolitan areas." We are calling for a change so that funding is not allocated on the basis of lane miles, but rather on passenger miles travelled. This change will help to target funds to where the mobility need is greatest.

The President proposes to allocate highway trust fund monies based on gasoline consumption. This allocation contradicts our national goals for energy conservation and improved air quality. This allocation proposal establishes reverse incentives and penalizes jurisdictions that succeed in reducing gasoline consumption. In fact, some jurisdictions, like Maricopa County, must work toward reduced energy consumption to meet federal air quality mandates. It is certainly not fair to punish these jurisdictions with fewer highway dollars. We would like to work with you to develop a fairer, more productive allocation formula.

We support the administration's call for flexibility between highway and mass transit funding. The proposal may not be flexible enough, however. Only 15% of the funding for the national highway system is designated as flexible. For areas with established highways and extensive transit needs, this may not provide enough flexibility to provide the needed transit system. All funding for the urban/rural system is flexible between highways and transit, but the proposed structure sets up an undesirable competition between urban and rural areas. Both of these areas have very different, very real needs. We are concerned that this structure may not effectively meet existing needs in either area for the more than 500,000 highway miles outside the national highway system.

The administration's proposal to reduce the mass transit program to only one dedicated penny of the gas tax after 1996 will decimate the federal mass transit program. Our mass transit program must be strengthened to carry us into the future. Not only are we striving to improve our mobility, we are also working to comply with federal clean air requirements and with the transit accessibility requirements of the Americans with Disabilities Act. State and local governments are already bearing a large portion of this added responsibility. We simply cannot accomplish these laudable goals if the federal financial role shrinks.

We need funding for projects to successfully link new transit programs with clean air and accessibility goals. The Phoenix metropolitan area has a special need here. As you know, we are operating under a federal implementation plan to reach our clean air goals. We are working hard to ensure that our transportation projects help us to achieve cleaner air, rather than detracting from our clean air efforts. As Chairman of both the Maricopa Association of Governments, our regional planning agency, and the Regional Public Transportation Authority, I need your assistance in making these linkages work. Our success can serve as a model for cities around the country. We are charting new ground here.

We need your financial and technical assistance in our pioneering efforts.

Our priority as cities is to ensure that transportation funding is available and can be used where it is needed most. But cities are not simply asking for hand-outs. We recognize that, as partners, cities have responsibilities to meet. We have resolved to work with the federal government to foster creative and attractive ways to encourage more private sector investment in transportation. We recognize that we have a responsibility to set priorities and make transportation choices. We have asked that any increase in local funding responsibility be accompanied by an increased local role in decision-making.

Unfortunately, the administration's proposal relegates local decision-makers to the planning table, giving us no role at all at the funding table where final decisions are made. We are responsible for contributing funding and implementing this nation's transportation programs; we must be involved in setting the funding priorities.

We recognize that we have a responsibility to work more closely together on a regional level. We are committed to developing stronger partnerships within our metropolitan areas, since transportation corridors seldom end at jurisdictional boundaries. We will work to coordinate and plan, and to share resources and ideas. By functioning as a team, we can make the road a little bit smoother for all of us.

We sincerely appreciate the President's efforts to develop a broad public consensus, including input from local government. We appreciate your interest in understanding the transportation needs of cities. It is important that cities continue to be included in the decision-making process, both leading up to legislation and afterwards. We look forward to a strengthened national/local partnership as we move into the twenty-first century.

SURFACE TRANSPORTATION POLICY

RESOLUTIONS

Adopted by

The United States Conference of Mayors

U.S. Conference of Mayors 1620 Eye Street, NW Washington, DC 20006
(202)293-7330

OFFICIAL POLICY RESOLUTIONS

Adopted at the 58th Annual Conference of Mayors

Chicago, Illinois
June 15-20, 1990

NATIONAL TRANSPORTATION STRATEGY

WHEREAS, the United States Department of Transportation released it's National Transportation Plan (NTP) in 1990 as a strategy for development of new federal surface transportation programs; and

WHEREAS, local governments submitted testimony, participated in roundtables and presented statements in the development of the NTP; and

WHEREAS, there is total agreement on the overall goal of the NTP to improve mobility, reduce congestion and increase economic development and productivity in this country, but there is also disappointment regarding the lack of specificity for future federal funding; and

WHEREAS, local governments approach the creation of new surface transportation programs through the critical and essential three-way partnership of federal, state and local involvement to sustain and improve the condition of this country's highways, streets, roads, bridges, mass transit and rail,

NOW, THEREFORE, BE IT RESOLVED that the United States Conference of Mayors urges Congress to be guided in their future surface transportation program deliberations by considering our standing policy as adopted in 1989, entitled "The Post Interstate Era", and that they also consider the following with respect to the strategy outlined by the NTP:

- That the federal commitment in the three-way partnership increase and not diminish;
- That immediate increases in investment at the federal level can be realized by spending down the Highway Trust Fund balances without negative affect on all other general revenue supported transportation programs, and that the Trust Fund monies only be utilized for transportation purposes and not deficit reduction measures;
- That transportation/infrastructure be one of the category of unmet needs addressed by future allocations from any "peace dividend" funding;
- That the new federally-aided program structure seek greater reinvestment in this nation's surface transportation system and focus on significantly decreasing congestion in urban/suburban areas through a unified metropolitan program; that this be accomplished through a redirection of funding when the Interstate construction program is ended; and that this urban/suburban program focus and funding allow for multimodal flexibility in relieving congestion at the local level;
- That the objectives of the federally-aided programs also continue to ensure the preservation and maintenance of the Interstate Highway System, the greater mass transit investment, the reconstruction and rehabilitation of bridges, and increased rural access;
- That the increased transportation funding responsibility of local governments envisioned by the NTP should be accompanied by an increased local role in decision-making regarding federal surface transportation programs and funds;
- And, that local governments support, where appropriate, the NTP goal of increased private sector investment in all transportation systems, and seek to work with the federal government in fostering creative and attractive means to encourage this.

BILLBOARD REFORM LEGISLATION

WHEREAS, more than 500 cities and counties have identified sign control as a serious problem requiring new regulations to control billboards; and

WHEREAS, local governments have enacted or seek to enact controls to protect and preserve the beauty, character, and economic and aesthetic value of land thus protecting the safety, welfare and public health of their citizens; and

WHEREAS, local governments were permitted authority to remove non-conforming billboards along federal highways through an amortization process prior to passage of a 1978 amendment to the 1965 Highway Beautification Act (HBA); and

WHEREAS, after 1978, the HBA required local governments to provide cash payments to billboard owners before removing non-conforming billboards along federal highways, and stated that the Federal government provide 75 percent of the cost of that compensation for removal; and

WHEREAS, no federal monies have been appropriated since 1982 to assist cities in cash payments for non-conforming billboard removal,

NOW, THEREFORE, BE IT RESOLVED that The United States Conference of Mayors urges Congress to enact legislation that would:

- restore to local governments the authority to remove billboards along federal highways through amortization;
- support the authority of local governments to require non-conforming signs along Federal highways to comply with size and height requirements without cash payments;
- allow local government to require the removal of billboards in inappropriate locations, especially in rural, and designated scenic, historic and residential areas;
- provide local government with the authority to determine the placement of any new billboards, and specifically provide local governments with the ability to prohibit construction of new billboards by local ordinance.

OFFICIAL POLICY RESOLUTIONS

ADOPTED AT THE 57TH ANNUAL
CONFERENCE OF MAYORS

CHARLESTON, SOUTH CAROLINA

JUNE 16 - 21, 1989

The United States Conference of Mayors
1620 Eye Street, NW
Washington, DC 20006
(202) 293 - 7330

THE POST INTERSTATE ERA OF SURFACE TRANSPORTATION

WHEREAS, the safe, efficient and environmentally sound transport of passengers and goods is of crucial importance to the future economic growth and development of urban America; and

WHEREAS, the completion of the Interstate Construction program in 1991 provides the nation with an excellent opportunity to examine the respective surface transportation responsibilities of federal, state and local government, as well as the private sector with respect to surface transportation; and

WHEREAS, The United States Conference of Mayors has long viewed the issue of surface transportation as one of mobility provided by roads, bridges, mass transit, bicycle paths and pedestrian ways,

NOW, THEREFORE, BE IT RESOLVED that the Congress and the Administration be guided in their deliberations over the structure of the post interstate era of the federally aided surface transportation system with generally the goal of enhancing mobilty for the national population, and specifically as follows:

Funding

- The revenues currently earmarked for the Gas Tax Trust Fund and any increases in such revenues, should continue to be solely allocated to surface transportation needs and not diverted for deficit reduction.
- Revenues generated by the gas tax should be expended at the level annually collected and the current surplus in the Gas Tax Trust Fund should be drawn down as expeditiously as possible.
- The Gas Tax Trust Fund should be removed from the Federal Unified Budget so that its user fee revenues are not used to disguise budget deficits on paper. Further, The United States Conference of Mayors opposes any turnback to the states of the federal gas tax.
- State and local governments must be permitted to implement innovative techniques to generate the local share for federally aided projects including administration costs, right-of-way donations or acquisitions, toll facilities or real estate impact fees.

- The fiscal impact of policies to promote alternative fuels on the federal gas tax trust fund should be revenue neutral.

Program Structure

Interstate and Primary Systems

- The Conference supports allocation of resources to state governments for implementation of responsibilities which are impractical to be performed by individual units of local government, such as maintenance of the interstate and primary systems. Current funding formulae, however, are improperly weighted against metropolitan areas. These formulae must be changed to recognize the vital needs on these systems that are found in urban America and amended accordingly. Formulae to states should not be based on lane miles but more importantly on passenger miles travelled, including transit passenger miles travelled. Also substate formulae should be crafted to match and foster programs designed to relieve congestion.

- Interstate and Principal Arterials must be maintained and funding for maintenance on these systems should be held harmless with respect to increased system development. The emphasis of increased lane mileage should be replaced with capacity management goals or increasing the number of passengers not vehicles travelled on all federally aided systems. Such increased management techniques include emphasis on car and van pools, HOV lanes, mass transit and flex time hours.

- Eligible products in the Interstate program for capacity expansion, the 4th R of the I4R, must include the examination of various options to assist the capacity on the Interstate, such as HOVs and transportation management systems. Interstate funding would be available for projects even if the alternative is not on the Interstate system so long as the proposed project would aid capacity movement on the Interstate system.

Interstate Transfer

- The Interstate transfer program was a program breakthrough in the federal system of surface transportation assistance in that it permitted localities to decide what mode of transportation, whether highway, mass transit or a combination thereof, best addressed their congestion problems. The federal government must honor and fulfill its commitment made in prior years in this program and institutionalize this system of local option as more fully explained below.

Urban/Metropolitan System

- The lack of Federal emphasis and funding for urban America's roads and transit systems is inconsistent with the stated goal of a federal surface transportation program of alleviating congestion where found. It is the belief of The United States Conference of Mayors that improved mobility in urban America may only come about as a result of our maintaining our current infrastructure, enhancing capacity to increase passenger miles traveled and demand management techniques and permitting the application of flexible and innovative responses adapted to local needs. Such a program must include at a minimum:
    - dedication of interstate and primary funding in urbanized areas;
    - strengthening of the funding levels for the federal aid urban system and formulae mass transit grants and permitting the current fungibility of a certain portion of these funds;
    - creation of a strategic metropolitan grant program with additional new funding which may be used at the discretion of the metropolitan area to meet either transit, road or nonmechanized transportation needs;
    - the eligibility for projects under this additional program would be unrestricted for road projects and available for capital and operating mass transits projects.

Bridges

- The special nature of and vital role of bridges in the national surface transportation program warrants the existence of a separate category in federal aid system. All bridges, regardless of their characteristics as a roadway or railway bridge, must be made eligible for the off-system bridge program and preventive maintenance projects, must be included as eligible for funding.

Safety

- Safety must always be a top priority of a surface transportation program. Further, safety grants should be directed in substantial portion to urban areas as it is in urban areas that the greatest number of people would benefit from such grants.

Matching Funds

- The level of required state/local matching funds should not be the deciding factor in what project a state DOT chooses to proceed with. Therefore, The United States Conference of Mayors would support a level or consistent match grant ratio across all programs. An 85/15 match is not unacceptable.

Clean Air

- In all cases, federal transportation policy should be cognizant of the need to direct resources to clean air.

- The Federal Tax Code should be amended so as to equalize the transportation fringe benefits that an employer may provide an employee.

URGING STUDY OF THE BUDGETARY AND ADMINISTRATIVE IMPACTS OF IMPROVED ENVIRONMENTAL REVIEW PROCEDURES

WHEREAS, a wide variety of public works projects beneficial to cities are often delayed, made more costly, and sometimes stopped by overlapping local, state and federal requirements for Environmental Impact Statements and Environmental Impact Reviews; and

WHEREAS, these overlapping, vague, and occasionally contradictory requirements often lead to duplicative administrative reviews, increased engineering costs, and significant amounts of time lost; and

WHEREAS, current administrative capabilities to coordinate the preparation of these reviews are not adequate to prevent significant procedural overlaps; and

WHEREAS, the manner in which these reviews are implemented by Federal agencies sometimes reduces the flexibility and discretion needed by local government to meet its infrastructure needs, even where these needs are being financed by local governments; and

WHEREAS, streamlining and reconciling these overlapping requirements and reviews, while providing as much discretion as possible to local governments could lead to significant savings of public funds and staff time, in permitting local governments to provide for their infrastructure, without reducing the protections mandated by the National Environmental Policy Act and other environmental protection goals,

NOW, THEREFORE, BE IT RESOLVED that The United States Conference of Mayors urges the President's Council on Environmental Quality to conduct a study of the relative costs and benefits of current overlapping environmental review procedures, as well as potential time and budget savings at the local level that could result from streamlined procedures and amendments to the National Environmental Policy Act. This study should be coordinated with the Departments of the Interior and Transportation, and the Environmental Protection Agency, and the U.S. Army Corps. of Engineers to assess potential national budgetary impacts and based on these findings, to promote streamlining of environmental impact regulations; and

BE IT FURTHER RESOLVED that The United States Conference of Mayors urges that with the increased financial burden on local governments to provide for their future infrastructure needs with limited or no federal funds, federal agencies should implement existing regulations, with unduly jeopardizing environmental goals, in such fashion as to decentralize discretion and decision-making wherever possible to the local, state, and regional levels where the cost and constituent burdens for overcoming infrastructure problems squarely rest.

SURFACE TRANSPORTATION POLICY

RESOLUTION

Adopted by the

National League of Cities

National League of Cities 1301 Pennsylvania Ave., N.W. Washington, DC 20004
(202)626-3000

National
League
of
Cities

1301 Pennsylvania Avenue NW
Washington, DC
20004
(202) 626-3000
Fax (202) 626-3043

Officers
[illegible]
[illegible]
Mayor New Orleans Louisiana

First Vice President
Glenda E. Hood
Commissioner Orlando, Florida

SURFACE TRANSPORTATION PROGRAM: POST INTERSTATE ERA

WHEREAS, the efficient, environmentally compatible, and safe mobility of passengers and goods is essential to the future economic well-being of cities and towns; and

WHEREAS, with the completion of the interstate construction program in 1991, an opportunity presents itself to create a new vision of transportation for the future; and

WHEREAS, the most severe transportation challenges facing our nation are traffic congestion and shortfall of funding resources; and

WHEREAS, better planning and coordination between all levels of government and the private sector is needed to maintain and improve our highways, bridges, mass transit,

NOW, THEREFORE, BE IT RESOLVED that the National League of Cities urges Congress and the Administration to redirect the surface transportation programs to the urban and suburban areas of the country, and more specifically:

PROGRAM STRUCTURE

Highway

- simplify and consolidate selected categorical programs into three major components: interstate, urban/suburban (metropolitan) and rural;
- permit federal funds to be used on local complementary arterials to the interstate to relieve congestion;
- preserve and maintain the interstate system;
- continue the Federal Aid Urban System (FAUS) at increased funding levels;
- improve highway access in rural areas by increasing funding levels;

Transit

- continue the transit formula and discretionary programs at increased funding levels;
- promote the use of transit as a means of addressing our nation's pressing energy and air quality problems;
- serve the special mobility needs of the elderly, the handicapped, the young, the poor and those without automobiles;

Flexible Program for Congestion Relief

- create a separate flexible program to supplement the formula programs to meet highway and transit needs;
- funding should be allocated to the states with a mandatory pass through to cities or metropolitan planning organizations with populations above 200,000;

FUNDING

- significantly increase highway and transit funding by (1) immediately drawing down the unspent balances of the Highway Trust Fund and (2) reallocate the $3 billion annually appropriated to the interstate construction program following its completion;

FUNDING ALLOCATION AND RECIPIENTS

- formula programs for highway and transit are essential to provide stable funding and should continue with increased funding;
- rural transit and highway programs should continue to be allocated to the states with increased funding;
- separate program should be created in the urban/suburban (metropolitan) component to provide flexibility at the local level to best meet highway and transit needs;

MAINTENANCE AND PRESERVATION

- greater funds and flexibility should be provided to local governments for maintenance activities directed toward highways, bridges and mass transit systems;

BRIDGES

- bridge rehabilitation and replacement is a high priority and should receive increased funding;

SAFETY

- greater consideration should be given to safety in planning, design and rehabilitation based on effective standards; additional resources need to be focused on education and enforcement at all levels of government;

INTERMODAL ACCESS

- enhance coordination of our intermodal network to stimulate economic growth and strengthen our competitive position in world trade;

ENVIRONMENT AND ENERGY

- local transportation systems should complement and be coordinated with local land use, housing and economic development, environmental, energy, and air quality programs.

Approved by the Membership of the National League of Cities
Annual Business Meeting o November 29, 1989 o Atlanta

Senator CRANSTON. Thank you very much.

I mean no disrespect to Mr. Francois, but I would like to call on somebody else so we are not going in the order that people who are seated, but by what you choose to say.

Yes, over there.

STATEMENT OF WILLIAM ROBERTS, LEGISLATIVE DIRECTOR, ENVIRONMENTAL DEFENSE FUND, WASHINGTON, DC

Mr. ROBERTS. Thank you, Mr. Chairman.

My name is Bill Roberts, and I am with the Environmental Defense Fund.

The Environmental Defense Fund, along with a number of other groups, has spent a whole lot of time, as you know, over the last couple of years working to pass the Clean Air Act Amendments of 1990.

Contained in those amendments are a number of very vigorous requirements that have been alluded to earlier that I think will dramatically change the way at least cities will be compelled to deal with their transportation needs.

Now for the first time cities who are developing transportation plans have to make sure that those plans conform to their clean air plans for the State.

So that if there is a certain percent reduction required from vehicle emissions in the State air plans, their transportation plans have to add up to those kinds of reductions.

If they don't, they cannot fund projects.

In some of the most severe and extremely polluted cities like LA and Baltimore, there is even a harsher requirement, which is that those cities have to develop plans that ensure that there will be no growth in vehicle miles of travel, which is an outstandingly difficult requirement.

One of the reasons the Environmental Defense Fund and a number of other groups have joined in working on this piece of legislation is because this is potentially one of those kinds of mandates that will never get enforced or played out in practice because there will not be adequate funding, and there will not be adequate planning, and a whole host of other reasons that have been mentioned a little bit earlier.

So we have been working very hard under the auspices of an umbrella group called "The Surface Transportation Policy Project," which is a host of environmental, transportation, and other organizations, to develop some alternative ideas in thinking through these problems.

I just wanted to mention three points.

The first point is that we have talked a lot about trying to find adequate funding for transit and other needs that might be useful in addressing some of these air quality problems, and how we are under a tight constraint in the budget to do that.

But one of the things that we discovered is that in the President's bill, over two-thirds of the $105 billion that he is proposing to spend over the next 5 years on this program is locked away for highway use.

To us, that is a remarkable sum of money to lock away for highway use, particularly in light of the fact of these significant obligations in metropolitan areas who will find a very hard time using that money to build highways.

So what we propose is opening up a lot more of that money for flexible use, truly flexible use, for both transit and highways, and frankly anything else that might do the job.

I think there is a certain amount of inclination on our part to defer some of the creative—to defer to the metropolitan communities to develop some creative and imaginative solutions to using their funds for purposes that will reduce vehicle miles traveled.

I think really the problem is, if we do tie up the funds for highway use and only highway use, we have really tied the hands of metropolitan communities who really want to do the right thing.

The second point I wanted to make was about planning.

I think this is a really significant point.

Under the current system, planning decisions, or at least plans, are developed locally, but the decision about what to spend money on is made at the State level.

That is a significant problem for metropolitan communities in States where they may not have as much sympathy for—the State may not have as much sympathy for the air quality problems as we would like.

So the consequence of that is you could have metropolitan communities develop the best plan in the world to achieve air quality requirements, but without the ability to control those funds to some extent they may be shortchanged.

The consequences under the new Clean Air Act are quite severe because it is the nonattainment area who has the sanctions imposed on them.

It is their highway money that is withheld.

It is their businesses who are required to achieve two-for-one offsets for their emissions.

So it really to us is important that on the planning side you do provide real programming authority, the ability to decide where and what to spend the money on, to metropolitan communities.

And the final point has to do with funding, planning funding.

There are a significant number of new obligations, both because of the Clean Air Act and because of all the technical difficulties in trying to design a plan that will really reduce vehicle miles of travel.

That to us requires that there be a steady and dependable flow of funding for planning at the metropolitan level so that they can have the resources they need to design plans that will really work in practice.

I think without these three elements, all the hard work that was done by the Senate and the House and the President to pass the Clean Air Act will sort of fall fallow unless we really have the mechanisms that this bill can provide to reduce vehicle miles travelled and improve air emissions.

[The complete prepared statement of William Roberts follows:]

STATEMENT OF WILLIAM J. ROBERTS
LEGISLATIVE DIRECTOR
ENVIRONMENTAL DEFENSE FUND

before the

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE

April 17, 1991

Good morning. My name is William J. Roberts, and I am the Legislative Director of the Environmental Defense Fund. It is my pleasure to speak this morning on the environmental implications of the nation's transportation policies.

The links between the environment, energy security, global warming and other issues are so tightly intertwined with the nation's transportation policies that the Environmental Defense Fund has joined with many other environmental organizations to develop alternative transportation policies to be considered during this year's reauthorization of the Surface Transportation Assistance Act. Working under an umbrella organization called the Surface Transportation Policy Project, we have crafted a number of proposals that will direct our transportation investments toward activities that improve, rather than worsen, the environment. The complete text of STPP's proposals is attached to this statement and I would request that it be included in the hearing record.

The STPP proposals reshape the way we think about our transportation system and recognize the profound impact our transportation infrastructure has on the environment. To understand why STPP's proposals are so important for the environment, we must take a brief look back at the most important environmental legislation enacted in the last Congress.

In 1990, the Congress and President completed work on a comprehensive set of amendments to the Clean Air Act. With tens of millions of Americans breathing unhealthy air in over a hundred urban areas, the need for action was overwhelming. While factories and other so-called stationary sources contribute to air pollution, the principal source of pollution for many communities is the automobile. Over the years, the federal government has tried to control emissions from cars through ever tighter emissions standards and, most recently, through the promotion of cleaner burning gasoline and alternative fuels.

Although these are critical restrictions, as vehicle trips increase at a rate 3 to 4 times the rate of population growth, it is only a matter of time before these improvements in automobile design are overwhelmed by more people driving longer distances more often. In fact, the Senate Environment and Public Works Committee recognized that without additional measures to address the "use" of the automobile, the other emission reduction requirements would be overwhelmed in 10 to 15 years.

As a result, the Congress and President included important new changes in the 1990 Clean Air Act Amendments to address automobile use. These changes are outlined below, but they all underscore two major new themes on the impact of vehicle use on air quality.

1. Transportation Planning Must Mesh with Air Planning. The Clean Air Act contains requirements for the states to develop cleanup plans for urban areas who have failed to attain federal air quality standards. Historically, however, transportation plans have never been considered a component of air plans. In effect, transportation planning and construction was undertaken largely without regard for air quality. The new Clean Air Act bridges the gap between air plans and transportation plans by requiring transportation plans to meet the air quality objectives of state air plans. For example, if a state air plan calls for a 3 percent annual reduction in vehicle emissions, the transportation plan must either meet those targets or projects in a transportation plan cannot receive federal funding.

2. Urban Areas Face Tough Sanctions If They Fail to Comply. Prior to the Clean Air Act Amendments of 1990, sanctions were imposed at the discretion of the EPA. Under the new Clean Air Act, sanctions are imposed automatically against a nonattainment area if the state or nonattainment area fails to comply with any requirement under the Act. There are two sanctions which can be imposed: withholding highway funding from the nonattainment area and requiring new stationary sources in the nonattainment area to obtain 2 for 1 offsets (i.e., find reductions of 2 tons of emissions for every 1 ton of emissions). If a nonattainment area persists in noncompliance for 24 months or more, both sanctions apply.

From our perspective, the changes brought about by the Clean Air Act Amendments of 1990 mean that urban areas will need (1) a dedicated and substantial source of funding to meet their Clean Air Act obligations, (2) full funding flexibility so that they may finance creative and nontraditional methods to achieve their transportation goals, (3) a planning process that responds to energy, environmental, and preservation objectives in a way that gives local areas equal footing with the states (this is an important point because states who can override local plans expose local governments to Clean Air Act sanctions which they cannot avoid by sensible transportation planning), and (4) a revision of the STAA's apportionment and match formulas to reward, rather than penalize, states and localities who successfully reduce VMT, fuel consumption, and air pollution. Once again, these proposals are outlined in detail in the attached STPP proposal.

Here is a detailed summary of the key Clean Air Act provisions:

1. Conformity. Although provisions have been in the Clean Air Act since 1977 requiring state transportation plans to "conform" to state air plans, the practical implication of this requirement has been to ensure only that transportation control measures (TCMs) listed in the air plan are also in the transportation plan. U.S. DOT did not agree with EPA's interpretation that the provision requires the entire transportation plan to conform to the air plan.

The new Clean Air Act Amendments substantially expand this narrow interpretation by prohibiting the expenditure of any funds pursuant to a transportation plan or program unless the plan or program "conforms" to the air plan's purpose of eliminating and reducing the severity and number of air quality violations.

Transportation plans are evaluated on a region-wide basis, under the new Act. Thus, projects that are part of a conforming plan may be funded. Projects which are not part of a conforming plan may be funded only if, when considered in the context of all other projects in the plan, they will not impede the ability of the plan to achieve its air quality goals.

Many urban officials and state air planners consider this to be the most important and far reaching provision in the new law.

2. Sanctions. Areas found in noncompliance with the Act or whose air plans have been disapproved have 18 months to correct the deficiency. If they fail to meet the 18 month deadline, either the 2 for 1 offset or the withholding of highway sanctions will apply. If, after 24 months, the area is still in noncompliance, both sanctions will apply. Sanctions must apply in the nonattainment area, but EPA also has the discretion to apply them on a statewide basis after the 24 month period has expired. Making sanctions mandatory and extending their potential application to the state as a whole are both changes from current law. In addition, the range of activities for which sanctions can be imposed has also expanded substantially.

Once highway sanctions have been imposed, no federal funds may be expended unless the funds are spent on safety projects or projects that will improve air quality, including capital expenditures for public transit, construction of bus or HOV lanes, planning to reduce work-related trips, traffic flow improvements which achieve a net emission reduction, fringe parking facilities, programs to limit vehicle use in downtown or other areas through tolls, parking surcharges or other pricing mechanisms, and programs for accident management designed to reduce congestion and emissions.

3. Planning Procedures. Complimenting the conformity review process, the new Act also requires state air plans to be written by a state agency which includes air officials, MPOs, state transportation officials, and local elected officials. This provision represents an effort to further integrate transportation and air quality planning.

4. "Reasonable Further Progress." For moderate ozone nonattainment areas, state air plans must be submitted which demonstrate a 15 percent reduction in volatile organic emissions in the first 6 years after enactment. Estimates for reductions of vehicle emissions are expected to be included in these plans.

Serious, severe, and extreme areas, must submit state air plans that also demonstrate emission reductions that average 3 percent per year for each consecutive 3 year period after the initial 6-year period.

This requirement for steady improvement is what will really compel local areas to develop new transportation strategies. Continued growth in VMT could jeopardize the locality's ability to meet these milestones, triggering sanctions and the withholding of highway funds.

5. Capping VMT and Trip Reduction Ordinances. For severe and extreme nonattainment areas, states must submit within 2 years after enactment an air plan that offsets any growth in emissions caused by growth in VMT. Also, all employers of 100 or more employees must reduce by as much as 25 percent their work-related trips. The "no

growth" VMT requirement may be Clean Air Act Amendments' most challenging requirement affecting transportation policy.

6. Similar Requirements for Carbon Monoxide (CO) Areas. The Act imposes similar obligations on areas who violate national carbon monoxide standards. In particular, state plans must project VMT in CO nonattainment areas and ensure that the nonattainment meets those projections and complies with the requirements of the Act in time. Serious CO areas must submit plans that will offset any growth in VMT.

The Clean Air Act Amendments of 1990 have finally broken down the wall between transportation planning and air quality planning. And, not surprisingly, Congress and the President considered it more important to make the air safe to breathe rather than build a new road.

To many environmentalists, state environment officials, and transportation planners, the mandate of the Clean Air Act has made it clear that to achieve meaningful changes in automobile use the current structure of the federal highway program must change. Currently, the program is overwhelmingly tilted toward highway construction and expansion, with minimal flexibility and little local control over funding decisions.

The STPP proposal, which EDF helped to develop, addresses each of these weaknesses by providing the necessary funding flexibility and enhanced local planning authority to clean our air.

If a major urban area believes that the best way to reduce vehicle emissions is through major new investments in transit, it would be permitted to make those investments under the STPP proposal. If another community wanted to employ of host of so-called travel demand management programs, such as subsidized car-pooling, it could do so. And, if another community felt it necessary to construct new high occupancy vehicle lanes to better manage growth, it could do so.

The fundamental flaw in the Administration's bill is that nearly two-thirds of the funds are earmarked for highway use, whether or not that is the most efficient and cost-effective use for those funds. This places a straitjacket on urban areas who want and need substantial flexibility to reduce congestion and improve air quality.

The cornerstone of the Administration's proposal is the National Highway Program (NHP), which accounts for over $43 billion of the approximately $100 billion the Administration proposes to spend on surface transportation. Unfortunately, we have serious reservations whether this program will provide enough funds or enough flexibility for urban and suburban communities to address their transportation needs.

First, as the attached table shows, the vast majority of states with serious urban congestion and air quality problems will receive a disproportionately small share of the federal apportionment for the NHP program. The states with the most severe air quality problems, including Pennsylvania, Illinois, California, New York and New Jersey, receive considerably less than the national average.

Second, even if funds were more equitably distributed among the states, it appears unlikely that NHP funds can be equitably distributed within the state to assist urban and suburban communities. According to Federal Highway Administration statistics, only 15 percent of the miles in the Interstate and Primary Highway Systems (the two principal components of the proposed NHP) are in urban areas. As a result, urban and suburban communities can expect to receive only a small fraction of the funds apportioned to their state for this program.

Finally, for the funds that are available to urban and suburban communities, they must be spent only on the roads designated by the Secretary of Transportation for inclusion on the NHP. Even if a community would rather use those funds for projects and programs that would reduce congestion, improve air quality, and save energy, it cannot do so unless those programs and projects involve a road designated on the NHP.

It has been suggested that the Administration's Urban-Rural program will provide enough funds and flexibility for urban and suburban communities to address their transportation needs. But this program, like the NHP, fails to provide the necessary assistance.

First, because the program is available to both urban and rural communities, those communities are forced to compete for funds each year. Neither urban or rural communities can reliably plan for long term transportation investments because they cannot know from year to year whether they will receive the funds they need.

Second, the $22 billion set aside for this program in the Administration's proposal is clearly insufficient to address urban and suburban needs. With over three quarters of the U.S. population living in urban and suburban communities, it is unrealistic to expect them to manage the transportation needs with only one fifth of the available federal funds.

Third, the distribution of funds under the Urban-Rural program is based on each state's contribution to the Federal Highway Trust Fund which, in turn, is based largely on each state's motor fuel consumption. As states begin to address their congestion and air quality problems through the promotion of alternative fuels, more fuel efficient automobiles, greater use of transit and ride-sharing they can expect to be rewarded for their efforts by receiving and ever declining share of Urban-Rural funds.

By proposing to establish a large, dedicated fund of monies for use by urban and suburban communities, the STPP proposal provides enough funds and enough flexibility to allow metropolitan areas to address the environmental and transportation needs.

The STPP proposal also recommends substantial improvements in transportation planning. Although states receive billions of dollars each year under the Surface Transportation Assistance Act, the federal government does not require states to develop comprehensive transportation plans. There are no priorities, no goals, no objectives and no accountability. STPP recommends that states be required to develop plans and to give greater weight to plans developed in large metropolitan areas to ensure that local priorities compete fairly with state initiatives.

Finally, the STPP proposal removes the incentives in current law to increase vehicle use. By allocating the funds based largely on population, we have tried to adhere the Administration's National Transportation Policy to address the movement of "people and goods," rather than vehicles. In fact, STPP advocates rewarding states who better manage vehicle use and proposes a mechanism to do so.

Once again, the Administration proposal falls far short. By allocating funds based on gasoline consumption, states which reduce vehicle use, increase per vehicle ridership, and lower fuel consumption are actually penalized by receiving less federal funding. However one defines the national goals of our national transportation system, it cannot tolerate this perverse alignment of priorities.

The task of managing vehicle use is substantial, but the potential rewards are also significant. Because our highway system is used so inefficiently, even small improvements can yield substantial benefits. If we could achieve a small increase the average number of persons in a car during rush hour from 1 person per car to only one and half persons, we could reduce emissions by 15 percent or more, reduce traffic congestion, lower energy consumption, reduce wear and tear on our infrastructure and allow for greater mobility in the movement of goods as well as people -- all without adding a single lane of highway.

The Environmental Defense Fund believes that to protect public health, we must change the way we invest in our transportation infrastructure. We must make investments that help improve the environment, not worsen it. The strength of STPP's proposal is that it will strengthen our economy, reduce our reliance on imported oil, slow the deterioration of our infrastructure, and, at the same time, help to improve the environment.

AVERAGE ANNUAL APPORTIONMENTS UNDER THE USDOT NHP PROPOSAL

State Name	*NHP $/Person/Yr.*
ALASKA	440.94
WYOMING	206.82
MONTANA	158.57
NORTH DAKOTA	149.60
SOUTH DAKOTA	137.65
IDAHO	96.14
NEVADA	92.57
NEW MEXICO	87.37
NEBRASKA	76.06
VERMONT	71.14
DISTRICT OF COLUMBIA	65.97
DELAWARE	60.10
UTAH	57.44
KANSAS	52.93
ARKANSAS	45.78
OREGON	45.25
OKLAHOMA	44.27
IOWA	43.89
RHODE ISLAND	39.90
MISSISSIPPI	39.04
COLORADO	38.53
MISSOURI	38.46
MAINE	38.08
ARIZONA	37.89
ALABAMA	37.77
MINNESOTA	37.06
HAWAII	36.12
NEW HAMPSHIRE	36.09
GEORGIA	35.72
KENTUCKY	35.36
TEXAS	34.49
TENNESSEE	34.36
United States	***33.41***
WEST VIRGINIA	33.11
SOUTH CAROLINA	32.87
INDIANA	31.96
WASHINGTON	31.90
WISCONSIN	31.56
NORTH CAROLINA	30.99
LOUISIANA	30.44
VIRGINIA	29.16
MICHIGAN	27.03
OHIO	26.70
ILLINOIS	26.69
FLORIDA	25.49
CALIFORNIA	24.26
MARYLAND	23.56
PENNSYLVANIA	23.40
CONNECTICUT	22.45
NEW JERSEY	22.37
MASSACHUSETTS	20.65
NEW YORK	17.22

Senator CRANSTON. Thank you very much.

Mr. MOSENA. Mr. Chairman?

Senator CRANSTON. Yes.

STATEMENT OF DAVE MOSENA, COMMISSIONER, CITY OF CHICAGO PLANNING DEPARTMENT, CHICAGO, IL

Mr. MOSENA. Thank you, Mr. Chairman.

My name is David Mosena. I am the city planning commissioner from Chicago, and I come to this symposium today from not so much a transit-only background, but from a more comprehensive local planning background.

I wanted to comment first on—I assume we are going to come back to Clean Air?

Senator CRANSTON. We are.

Mr. MOSENA. I wanted to comment and pick up on your first question, though, and just make the comment and get it into the record that the way the bill is now structured it really emphasizes State control.

We are very much concerned that it ought to be the other way around, that the local MPO's ought to be making these determinations, and major local governments within those MPO's in cooperation with the States, as opposed to the States in cooperation with local governments.

We have a fairly successful MPO operation in northeastern Illinois which is made up of 20 organizations. I think when I think about how it works, it is chaired by the state department of—the State secretary of transportation, but the State does not have control over it. It is really a, if you will, a mix of control, shared control, by all the organizations.

It does produce a Transportation Improvement Program, a TIP, that is a capital plan that is fairly well followed.

I think the success of this program, the MPO operation in Illinois, is that it is not so much housed in weaker metropolitan regional planning organizations which do not have legal authority, or purely advisory organizations, but it is housed in operating agencies, funding agencies, some oversight agencies, and all local elected officials.

So it really has some—the people who come to the table have clout to make decisions.

The other important point about the way it operates is it brings everyone to the table, and it really sorts it out. It is a clean process. It is not a friendly process. There is a lot of debate. But it works because everybody has to come and grapple with these choices between the region and the local.

We are also concerned in Chicago that the Federal bill allow some passthrough; that there be local governments above some certain threshold, maybe 200,000 or above, which direct pass-through could go to.

When you talk about this issue of—I am not sure this is going to come up later, but when you talk about the issue of flexibility and good local planning for maximizing transit benefit, new-start benefit, et cetera, I cannot think about it without thinking about the criteria.

Because when we think about planning at the local level and the regional level, I think about the limited nature of the criteria that are currently in the bill. The extensive reliance on the issue of ridership. And when we think about transit from the planning perspective, we are thinking about it doing a lot more things than just dealing with ridership.

It is dealing with congestion, which is not necessarily the same thing as ridership.

Clean air is obvious.

Disabled Americans is another issue.

Another important issue in Chicago is local inner-city labor pools. We now have a greater workflow of commuters going to the suburbs on the Kennedy Expressway leaving Chicago at rush hour in the morning than are coming in. They are going to regional jobs that are scattered all over the region.

There is a very important need to get access to those jobs for the inner-city labor pool for, in essence, transit-dependent populations.

There are joint development opportunities that deal with economic development. I hope I will have a chance to come back to this question later, but we very much look at transit improvements in the Chicago area as also being economic engines and incentives to encourage other development and growth along with it beyond simply moving people around.

Let me stop there, and I will come back to that point when it comes up.

Senator CRANSTON. Yes. Carl, I welcome you, also.

STATEMENT OF CARL WILLIAMS, ASSISTANT DIRECTOR, CALIFORNIA DEPARTMENT OF TRANSPORTATION, SACRAMENTO, CA

Mr. WILLIAMS. Thank you very much.

First let me compliment the staff on a very fine conceptual paper.

I think it captures many of the recommendations that we made as a State to the Congress in our recent report.

I would like to comment for a moment on what we heard earlier about more money.

Everyone comes to Washington and asks for more money.

Indeed, transportation needs more money.

We need to spend down trust funds.

We need to recapture some of that money that got diverted to the General Fund, and all of those sorts of things.

But, quite frankly, I believe that the policies that your committee is talking about implementing—and of course this will be subject to the language that is drafted—but that policy of requiring integrated and multimodal transportation planning at the local level is going to be needed even more if there is to be less money for transportation.

It will provide us with a great deal more value in that money and will allow us to do things that we now cannot do.

I would also like to comment on this concern that we have heard mentioned by several people related to how cooperative people will be, and entities will be at the local level for this planning process.

Sure, there will be obstacles to deal with, but if all of the groups understand that the Federal money is being made available for both local planning and for the implementation of those plans is subject to a comprehensive and integrated plan, I believe you will find people will come to the table.

If the Federal funds do not flow to those jurisdictions that refuse to do the integrated type of planning that this committee is talking about, then the Federal funds I believe will make the difference in getting that cooperation.

[The complete prepared statement of Carl Williams follows:]

Testimony of Carl B. Williams, Assistant Director, California Department of Transportation, Before The Senate Sub-committee On Housing and Urban Affairs, April 17, 1991

The United States Congress has a unique generational opportunity to bring about critically needed changes in the effectiveness of the Nation's transportation infrastructure. Never before in our history has transportation been more important to the Country's health, welfare and economic prosperity both domestically and in the highly competitive international market place. And never before have we had the opportunity to bring together our diverse transportation interests into a coordinated system that will make us the envy of the rest of the world.

The Problem

For more than 35 years we have made do with a Balkanized collection of modal fiefdoms that have rarely cooperated, that have created entrenched competing and provincial constituencies, and that have, as a result, denied the public the transportation services and benefits that are only possible through effective integration. There are, unfortunately, abundant examples of our past errors - errors that have created the litany of problems familiar to us all - horrendous congestion, intractable air pollution, and millions of hours of lost productivity - all in part the result of overdependance on a single mode of transportation. Transit, the other major recognized mode, has its warts too. We see transit systems that carry few people even during peak periods, we see equipment going without maintenance because short-sighted policy makes it easier to obtain funds for replacement than it does for maintenance.

We also see major bridges in danger of collapse and thousands more that are obsolete. We see our air and water port officials, crucial to both our domestic and international economic interests, pleading with Congress to provide them with demonstration money to improve ground access.

Within the transportation community there is a continuing tendency to push for our own favorite programs - each of us with little or no regard for the other - each ready to seek the special Congressional designation that will ensure preeminence - the advantage that makes us the most equal among equals - even if this is at the expense of the efficient development of transportation system as a whole.

There a practical answer to this problem.

A Modest Proposal

First, after thirty-five years it is essential that we ask the fundamental question of what it is we are trying to accomplish in formulating National transportation policies. We need the Congress to express as clearly as possible the vision it projects for the Nation's transportation future. Without such an expression of purpose, those of us charged with providing transportation services have no way of formulating strategies that will produce the desired results. Without this guidance we are unable to determine if Congress believes that safety is more important than clean air or if increased tonnage through our sea ports is more desirable than a reduction in congestion. Choices will inevitably be made and the quality of choices made will depend largely on how well we understand the goals and objectives set forth by Congress.

Secondly, we must, at all cost, stop the wasteful competition among the various modes. We must not, for example, offer one mode greater federal cost sharing than the next. We must not, by National policy, create discriminatory barriers against any particular mode and most importantly, we must take steps to create generic transportation funding that is available to all modes. This leveling of the playing field and elimination of modal categorical funding can only take place if there is fundamental trust in the process through which transportation programs are defined, prioritized and funded. This, I believe is the single most important gift that this Committee can give to transportation. Here is how this might work.

The mobility problems facing metropolitan America today cannot be solved by any single solution. They must be met by a combination of capital and operating strategies where the environment and travel demands of each regional area are matched by a supply of service that is feasible in those circumstances. What works in urban Los Angeles, may not work in Petaluma, CA, New York City or in Bangor, Maine. The planning of our transportation systems must consider issues of system integration and regional impact, as well as local needs and plans.

There are categorical proscriptions in current federal law that can interfere with funding the highest priority transportation projects. They impose arbitrary restrictions on how funds can be used, what transportation mode they can be spent on, and the rigid geographic distribution of funds. As a result, each element of the system competes with all others, constituencies become entrenched around their special interest and the inter-modal integration of systems so essential to the overall functioning of the transportation network does not occur.

Currently, transportation decision making is made by numerous entities including the state, cities, counties, transit districts, transportation commissions, special transportation authorities, regional transportation planning agencies, air pollution control districts, and land use regulators. Each level of government has something the others need for the success of their own goals. While each of these diverse agencies has an unique focus they also share a common (if not always recognized) interest at the regional or subregional level.

Transportation solutions must originate and be implemented where the problems occur. The federal, state and local governments must work together at the regional and subregional levels to develop, agree upon, and carry out specific solutions. When producing the solution to a particular problem, the state, the regions, the affected cities and counties and special districts must work together to develop an integrated transportation approach that will, for the system as a whole:

- Better link land use, air quality, transportation planning and programming, and implementation across jurisdictional boundaries.
- Promote inter-modalism and better target limited resources by ensuring that the most cost-effective transportation solutions are identified, given appropriate priority, and funded.
- Integrate state highways, county roads, city streets, and transit facilities into a single coordinated and well tuned system.
- Promote the direct and vigorous participation of public and private interests in the planning, programming, and implementation processes.

The integrated approach is an extension of the current "3C" transportation planning process. The integrated approach addresses transportation problems in both rural and urban systems on an inter-modal and multi-jurisdictional basis.

Simply put, all responsible regional decision makers and the state must be brought together to produce and integrated transportation system. Together they must develop a program of improvements (including all modes/strategies), and then package the funding from all available sources (federal, state, local and private) to implement the program. To accomplish this, there are four elements in the existing planning, programming, and implementation process that are either missing or that need to be strengthened.

1.Binding commitment. There must be commitment on the part of each agency to seek common solutions in the corridor study effort, to develop a workable plan of financing, and to follow through in implementing their respective portions of the integrated program.

2.An integrated program of inter-modal improvements to increase capacity and to reduce congestion. This means combining demand management measures, transit improvements, and new capacity, whether on state or local facilities, into one subregional network package. Without an integrated and coordinated system of good arterial networks, transit systems, traffic operations centers, and demand management, incremental transportation development will be of little benefit in addressing urban transportation problems.

3.A flexible pool of money to fund the implementation of the plans and to ensure that the funding is applied to the plan's integrated program and its agreed upon priorities.

4.A congressionally recognized coordinating mechanism developed by states and localities. In urbanized states, the existing metropolitan planning organizations would serve this function.

The integrated approach is a method to address the subregion's problems as a whole. The elected officials and civic leaders must be committed to resolving transportation problems without preference for a specific mode, facility or agency. The operating premise must be that each player benefits as the group succeeds together. The driving mechanism to make it happen is the requirement that without such an approach, certified as to its efficacy by the Governor, federal funds will not flow.

Integrated transportation planning will represent a major shift in historic approaches. Unlike existing methods found in most areas of the country, it will focus on regional and local approaches needed to solve complex urban and rural transportation problems - addressing these issues within a more inter-modal and multi-jurisdictional framework. IT WOULD FOCUS AUTHORITY AND RESPONSIBILITY AT THE REGIONAL AND LOCAL LEVELS AND WILL PRODUCE A

COMPREHENSIVE, DETAILED AND INTEGRATED TRANSPORTATION PLAN UNLIKE ANY WE HAVE SEEN BEFORE.

To ensure that the federal planning funds are being used to address National goals, Congress should require that a periodic evaluation report be submitted from each state. The US DOT would consolidate these reports and submit them to Congress. The reports would serve the purpose of certifying to Congress the adequacy of the state and local planning process. This report could initially include: responsibilities and roles of all parties involved and the progress in establishing the integrated planning process. Subsequent reports could evaluate the progress toward meeting National goals, suggestions for changing or reconciling inhibiting laws and regulations, significant and emerging transportation issues, innovative planning approaches and findings and recommendations.

This report could serve to ensure Congressional oversight and would recognize that the specifics of how such a planning and programming process is to be conducted would be left to each state and its local agencies. In any state where the Governor is unable to certify to a fair and open planning and programming process, the Secretary of DOT should be required to provide technical assistance with the goal of helping the state and local jurisdiction to develop a certifiable process.

Recommendations to Congress

1. Establish an overall National strategic direction for transportation and outline the goals and objectives toward which the states should move.

2. Fund inter-modal, continuous, coordinated and cooperative planning at the state and local levels.

3. Direct the Secretary of the US DOT to establish broad, flexible federal guidelines that would require each state and its local entities to create an appropriate new process (or use a certifiable existing approach) that works within their respective physical, political and related environments.

4. Through the Secretary of the US DOT, require that as a condition of receiving federal transportation funds that a state certify that its program of projects is based on a comprehensive, multimodal transportation planning process carried on cooperatively by state and local agencies.

5. Hold each state accountable for the results of their respective programs in term of the National goals established by Congress.

Failure to address this threshold need will inevitably result in more and more divisiveness and less and less progress toward meeting our transportation and environmental needs. Nothing Congress will do this year will be more important than the direction it sets for the Nation's transportation future. I urge you to use this opportunity to leave a lasting mark on transportation planning and programming - a mark that will meet the pressing needs of our urban and rural areas and will help assure that future generations will enjoy the freedom of movement so cherished by all of us.

Thank you.

Responses to questions relating to "More Effective Transportation for Metropolitan Areas" presented in the Senate Housing Sub-Committee's "Suggested Issues For Roundtable On Reauthorization of Urban Mass Transportation Act"

April 17, 1991 Hearing, 10:00, Room 535 Dirksen

What obstacles tend to prevent transit and highway agencies from cooperating to produce integrated, multi-modal transportation systems at the metro level?

- o lack of integrated planning across modal lines
- o different sources of funds, different sharing ratios
- o lack of transferability from one modal fund to the next
- o inability to recognize system benefits derived from multi-modal and inter-modal cooperation

How could refinements in federal law help in removing some of these obstacles?

- o require each state (Governor) to put in place or certify that an existing process meets the requirements of a fully integrated multi-modal metro/state planning and programming process as a condition of receiving federal funds.
- o level the playing field by establishing a single sharing ratio for all transportation programs (regardless of mode) with the possible exception of Interstate 3R and completion of transit new start commitments.
- o Allow for the transferability (between modes) of up to 50% of all modal funds until such time as complete fund integration takes place.

What federal incentives could encourage state and local agencies to improve mobility and reduce air pollution?

- o Provide additional (incentive) planning money to those jurisdictions that have certified processes that require the full consideration of all modes in establishing metro transportation particularly those in non-attainment areas.
- o Establish funding incentives for jurisdictions that meet national goals for reduction in mobile sources of pollution
- o Allow greater flexibility in transferring funds from one program element (mode) to another in non-attainment areas.

How can federal legislation create a stronger link between transportation planning and the allocation of federal assistance among specific projects?

- o Require that, to the maximum extent possible, available generic or transferable federal funds be spent on the approved plan of projects and in the priority order established in the integrated metro plan.
- o Require that each state certify that its distribution process for funds is fair and objective. State legislatures and Governors should decide how these funds are to be distributed.

How should the allocation of federal transportation assistance be improved to relate planning at the metro level more effectively to budgeting.

What should be the role of states, metro planning organizations, transit operators and other key parties?

- o States must be full partners (but not in charge) in the metro planning process as should all other effected jurisdictions including the private sector, transit operators, land use planners, air quality districts etc.
- o The MPOs (or RTPAs) should be responsible for managing the planning and programming process in the region or sub-region.

What effect will the clean air act amendments of 1990 have on highway, transit and inter-modal projects in major metro areas?

- o First, it will require considerably more flexibility in the use of currently earmarked categorical funds if transportation services are to be provided to people living in non-attainment areas. Unless Congress recognizes this we will find ourselves trying to solve metro air quality problems by rehabilitating highways, and making operational improvements only. Virtually none of the available funds under current programs are transferable to transit (and vice versa) among current programs. Only 15% would be transferable under the Administrations bill.
- o The clean air act will likely stop many planned and "environmentally" cleared projects from going to construction because of EPA's unwillingness to approve them. Some projects will never be built.
- o Certain jurisdictions will begin to integrate planning and programming to include all modes.

What changes in federal transportation legislation are appropriate to advance the purpose of the Clean Air Act?

- o see above.

What highway and transit funds should be available for transfer to other modes?

- o As large a portion as the individual modal constituencies will allow. One incremental step towards "generic" transportation funding would be to create a fund composed of 5-10% of each of the highway, transit and aviation trust funds that could be used only for inter-modal projects within each state.

Under what conditions should such transfer be permitted?

- Under all conditions with an added percentage of transferability permitted in non-attainment areas.

How should such inter-modal transfers be administered?

- Through a certified process created or in use in each state with a post-audit by the US DOT. States would be required to notify the US DOT when exercising the option to transfer but would not require DOT's prior approval.

What lessons should we draw from past programs for inter-modal transfer of funding such as the Interstate Transfer Program and Federal Aid to Urban Systems (FAUS)?

- Existing law has encouraged at least limited transfers between highway to highway programs and even occasionally between highway and transit programs. (e.g. light rail in Sacramento Calif.)
- What has happened largely as the exception, will become much more common under the constraints of the Clean Air Act provided that Congress "reconciles" transportation with the Clean Air Act.

What are the benefits and draw backs of the Administrations proposal for making highway and transit funds flexible?

- While the Administration has proposed what can only be called remarkable changes with respect to transferability, it has not gone far enough. The National Highway System funding, which is proposed at about 66% of total funding, allows for only 15% to be transferred to the Urban/Rural program which in turn can be transferred to transit. It would be more useful if NHS funds allocated to urban areas could be used on a NHS "corridor" basis if it is impractical (or impermissible) to add capacity to the highway designated as NHS eligible.
- One of the great fears of transit interests is that transferability in both directions (Transit to highways and vice versa) will lead to highways taking away transit funds and no highway funds being transferred to transit. This is not likely to happen if the Congress creates the type of MPO managed multi-modal planning process described above.

How does the proposal take into account the lessons of past initiatives?

To what extent will the proposal foster integrated,multi-modal transportation decision-making?

- o It will do much to advance this type of integrated planning but does not go far enough in creating the incentives for cooperation among the modal constituencies.
- o It does not allow for sufficient transferability of funds from one mode to the next when called for by local conditions.

Responses prepared by Carl B. Williams, Assistant Director, California Department of Transportation.

Senator **Cranston**. If there are no further comments on this, why don't we move on to the next——

Mr. **Francois**. Mr. Chairman?

STATEMENT OF FRANCIS FRANCOIS, EXECUTIVE DIRECTOR, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS, WASHINGTON, DC

Senator **Cranston**. Yes.

Mr. **Francois**. Mr. Chairman, if I might make a few comments, my name is Frank Francois, and I am executive director of AASHTO, and as a result represent all the State transportation agencies.

We of course as a result have to look at the urban issues in the context of all the other issues that this Nation faces.

The comments that have been made thus far are very interesting.

I would like to offer a few observations on them and then reflect a bit on the nature of the Nation's highway program as to how it relates to transit.

First of all, the funding issue is central to much that we are talking about here.

We believe within AASHTO, and I think we have established, that for both highways and transit the Nation is simply underinvesting significantly in what we must do, if we are going to keep this Nation moving effectively for both passengers and freight.

There are some interesting numbers, though, that flow out of that.

The comment has been made that the administration's bill puts much more into highways than it does transit. That is true.

But it is also true that overall the expenditure level for highways is much greater nationally than is the transit expenditure.

In 1988 we spent about $68 billion in total in this Nation on our 3.9 million miles of streets, roads, and highways.

By our calculations, about $15 billion on transit.

When you look at those numbers, and then you look at the percentage that the Federal share made up of those expenditures, it is interesting that it is about 22 percent for both highways and transit.

So on a percentage basis of overall investment in highways and transit, there has been total equity at this point.

Nevertheless, we recognize that both systems need much more money than they are receiving currently.

Now there has been quite a bit of comment here with respect to the National Highway System and the national highway network.

I am not here to defend the administration.

I think they are fully capable of doing that themselves.

But I think some comments on the nature of this highway system, what the National Highway System is and is not, might be in order.

As I said a moment ago, our Nation in total has 3.9 million miles of streets, roads, and highways.

Now only 850,000 of that 3.9 million are part of the Federal aid highway network.

The other 3 million miles are the sole responsibility of States and their local governments currently.

Of that 850,000 miles, the interstate system that we keep talking about is 44,629 miles.

So it is by far a small fraction of the entire Federal aid highway network.

The interstate system is in fact a part of what we call the Nation's primary network.

The primary highway system is about 303,000 miles in total.

What the National Highway System proposes to do is to concentrate on about half of that 303,000 miles; not to bring it all up to interstate highway standards, but rather to be certain that at least that 150,000 miles is functional for both automobiles and trucks moving back and forth across this Nation.

Now in total, last year we had about 2 trillion miles of travel.

Looking again at that Federal highway network, about 20 percent of it is urban.

So again the urban share of the mileage is very small. But the urban share of the vehicle miles of travel is very large.

It is 1.2 trillion of the total 2 trillion miles of travel.

So there is no question but that the great bulk of the Nation's traffic is occurring in urbanized areas, which is where congestion is, which is where transit can be a real help to us.

We recognize that, and we must have it.

Now, then, funding levels, et cetera.

Again looking at the National Highway System and what the administration has said in its bill, it needs to be recognized that a substantial portion of the funding—how big would depend on what State and local governments decided to do for the National Highway System—can be used on things like HOV lanes, fringe parking lots, et cetera, which in metropolitan areas like this, Mr. Gunn knows, would help a lot.

That comes off the top of the National Highway System.

Then you can also transfer, under the administration's bill, 15 percent of that money into the urban-rural program.

And in the urban-rural program, if the State and local governments chose, they could use it all for transit if they wanted to.

Now that is not likely.

I acknowledge that. But the possibility is there.

Let me focus now on the MPO issues.

I agree with some earlier comments that we clearly need to restructure the MPO's that we have.

We must do it in every State and every metropolitan area so that we can properly integrate both transportation planning and air quality planning, at the very least.

The Clean Air Act passed last year mandates this.

We strongly support the concept that these agencies need to be restructured.

No question about it.

That restructuring must be done ultimately at the State level, because local governments, cities and counties, are creatures of the States.

It is the States that have created the MPO processes that are out there.

So ultimately the States will have to come to grips with these issues.

I do not believe there is any one-size-fits-all approach to MPO's.

The States are too different for that. The nature of their government processes and their problems are too different for that.

So I think ultimately the States must do the job.

Now I think it is the job of Congress—and AASHTO believes this—to set forth the goals that are to be achieved by these MPO's.

That is your job. Tell us what they have to do and how they must function, and then the States will need to do the work to actually create them.

There are a number of other issues I think within the comments that have been made, and in the discussion paper that should be addressed.

The discussion paper, I agree with Mr. Williams, is a good first start at looking at an awful lot of these issues, but we do not see any information there that says what size metropolitan areas we are talking about.

Do we intend to include metropolitan areas of all sizes in this program?

Or are we going to concentrate on those that are 200,000, as in the past? On those that have Clean Air nonattainment problems at a 50,000 level? Or what level?

Remember that a metropolitan area is in the eye of the beholder.

In Wyoming it is much smaller than 200,000.

So you have to I think decide on what size we are talking about.

Once that is decided, then that will to some extent spell out what the relationship between the States and the MPO's must be.

Very probably someone is going to have to referee between the MPO's.

As the mayor of Mesa has pointed out, there is a difference in size between urbanized areas within States.

Again, the State role in doing that is absolutely critical.

The question of what funds are to be included within the jurisdiction of the MPO I think is also important.

Are we talking only about Federal aid? If so, then given a 22-percent level of Federal investment in highways and transit, there may not be enough there to compel the kind of decisionmaking that we want.

Are we talking about having the States, the cities, and the counties pool all their resources within that same MPO to be mandated by the MPO as to how it will be spent?

If so, that raises some new governmental structure problems in this Nation that we have never faced before of having elected State governments, elected city, elected county governments turn their responsibilities over to what will presumably be a nonelected MPO unless we decide to elect MPO's, which is possible.

There is a little precedent for that in Oregon, and some other States that have looked at it over the years.

The problem of interregional, between the regions within a State, is something I don't see addressed, either, particularly in the very crowded Northeast.

New Jersey is one nonattainment area for all practical purposes with a multiplicity of cities.

Much of that nonattainment comes from the other States around it.

And Connecticut—and Mr. Frankel can certainly address this—is the recipient of all that as it blows north.

So this problem of interregionalism, particularly for air quality, is very important.

To expect that we can resolve this in an isolated manner within metropolitan areas just is not reality.

These things move too much, particularly in the East. Now that may work in some States where the metropolitan area is relatively defined, relatively isolated. Then maybe we can resolve it.

Perhaps in the Salt Lake City, Provo, and the central Utah area that might apply, but it certainly does not apply on the east coast.

So we think we have made a fresh start.

We think, however, there are a lot of realities that need to be taken into account—particularly the funding levels, particularly the purposes of highways and transit, and especially the ultimate relationships between all levels of government as we address these issues.

[The complete prepared statement of Francis Francois follows:]

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

HAL RIVES, President
Commissioner
Georgia Department
of Transportation

FRANCIS B. FRANCOIS
Executive Director

STATEMENT FOR THE

SENATE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

Relating To

ISSUES ROUNDTABLE ON REAUTHORIZATION OF THE
URBAN MASS TRANSPORTATION ACT

By

FRANCIS B. FRANCOIS
Executive Director
American Association of State Highway
and Transportation Officials

April 17, 1991

Founded in 1914, AASHTO represents the departments concerned with transportation and highways in the fifty States, the District of Columbia and Puerto Rico, to foster the development, operation and maintenance of an integrated national transportation system. The active members of AASHTO are the duly constituted heads and other chief directing officials of the member transportation and highway agencies.

EXECUTIVE OFFICE: 444 N. Capitol St., NW, Suite 225, Washington D.C. 20001
Telephone (202) 624-5800 Telefax (202) 624-5806 Telex 4900009580 HTO

On behalf of AASHTO, I am pleased to respond to the Subcommittee's invitation to participate in a Roundtable on Reauthorization of the Urban Mass Transportation Act.

The invitation to participate was accompanied by a list of issues for discussion during the Roundtable. We were asked to prepare a written statement responding to those issues, and other appropriate matters. This statement is submitted in response to that request.

Before turning to the issues posed for the Roundtable, I would note that this is not the first statement we have submitted to the Subcommittee during this session of Congress. On January 2, 1991, in response to a written request that we provide AASHTO's overall observations on reauthorization of the federal-aid transit program, we submitted a written statement accompanied by a copy of the Association's recommendations drawn from our report New Transportation Concepts for a New Century. Subsequently, in connection with the March 13, 1991 National Symposium on the Future of Public Transit, we submitted a further statement. Copies of both of these statements are being submitted herewith for the convenience of the Subcommittee.

In this statement I will take up each set of the questions posed under the three general headings. But first, on behalf of the Association, I would like to offer some overall comments.

The surface transportation system of the United States, both our highways and roads and our transit systems, is suffering from under-investment. Put simply, unless considerably more funding is provided to both highways and public transportation, we will be unable to maintain even our current levels of service for either freight or passengers. The gap between current investment levels and what is required was analyzed by the member departments of AASHTO, and resulted in the publication of our report The Bottom Line in late 1988. Copies of The Bottom Line report have previously been provided to the Subcommittee, but for convenience another copy is provided with this statement.

Turning to The Bottom Line, Table A of the report shows that while the total investment by all levels of government in our highway system in 1987 was $66 billion, it should have been $80 billion just to keep the system operational at current levels, and $100 billion if we hope to address current congestion problems and begin to accommodate the growing need to move more passengers and freight.

With respect to transit, Table A shows a 1988 expenditure level of $14.3 billion, by all levels of government. AASHTO believes that should be at least $15.1 billion, just to stay even with the current situation, and at least $15.8 billion if we want to update equipment to acceptable standards. It is AASHTO's judgement that funding transit at this level will allow transit to carry essentially the same modal split of passengers as today. But AASHTO also recognizes that if we want to increase that modal split, as may prove essential under Clean Air legislation, for example, then transit funding would need to be much greater.

AASHTO believes that a sound public transit system is in the national interest, and that the federal government has a funding responsibility to help assure adequate public transportation. During the 1980s, in the face of increased costs due to inflation, federal support for transit unfortunately fell sharply from its 1981 peak of $4.6 billion to the current level of $3.2 billion. The Administration's proposed Surface Transportation Act would essentially extend this current level for five more years.

As federal support for transit fell during the 1980s, states increased their support, to the combined level of $4.8 billion last year, making the states the principle supporters for transit nationwide. As we have pointed out in our March 13 statement filed with the Subcommittee, AASHTO takes major issue with the transit provisions of the Administration's proposed Surface Transportation Act. We urge among other matters that transit funding be significantly increased above that proposed by the Administration, at least to the levels proposed by AASHTO, and be increased each year.

This discussion of surface transportation funding points up that current federal funding for both highways and transit is clearly inadequate, as is the total funding for these two modes as proposed in the Administration's bill. The proposed increase in matching shares to be borne by state and local governments contained in the Administration's bill makes matters still more difficult.

This federal under-investment in America's surface transportation system and the Administration's effort to shift even more highway and transit costs to state and local governments comes at a time when the latter are also being asked to absorb many other reductions in federal programs. At the same time, state and local governments will face new transportation program costs under last year's Clean Air legislation.

Federal under-investment in both highways and public transportation affects all of the issues posed by the Subcommittee, and makes their resolution much more difficult. For example, at a time when our federal-aid highway program is already inadequate to keep the system operational for both freight and passenger travel, and when our transit systems need more funds just to meet their current responsibilities, it is difficult to discuss the possibility of transferring funds from one of these under-funded programs to the other.

With this basic situation as viewed by AASHTO explained, let me now turn to the issues posed in the Subcommittee's list.

1. MORE EFFECTIVE TRANSPORTATION FOR METROPOLITAN AREAS

Question Set 1-A:

What obstacles tend to prevent transit and highway agencies from cooperating to produce integrated, multi-modal transportation systems at the metropolitan level? How could refinements in federal law help in removing some of those obstacles? What federal incentives could encourage state and local agencies to improve mobility and reduce air pollution more effectively?

Response:

Obstacles:

The obstacles to be overcome if the United States is to achieve "integrated, multi-modal transportation systems at the metropolitan level" are many, and begin with the historical differences in how our highway and public transportation systems evolved. The development of America's modern era highway system began in the 1890s, as a state responsibility, with some federal assistance. The first state highway agencies were founded in the 1890s, and the first federal assistance, for highway research, was enacted in 1893.

In 1916, the first federal-aid highway program was enacted. That act made available limited federal funds to the states for highways, but did not provide for a planned, systematic approach to development of a national highway network, a problem addressed in the 1921 highway act. The planned highway system concept and the federal-state highway partnership established by Congress in the 1921 act continues to this day. It is of significance to note that during the debates leading up to the 1916 act there was discussion of providing federal assistance to counties, as well as states. In the end it was concluded that a network of direct federal relationships with the thousands of local governments would be too difficult to manage. Instead, the federal-state partnership was created, with local governments receiving assistance through the states that established them under their state laws.

The history of public transportation is quite different. This mode was essentially a profit making, private sector activity until mid-century, when transit ridership plummeted to the degree that profits for the private sector companies were no longer possible. When the private sector transit companies were viable and operating, they and the state highway agencies essentially each went their own way, with little if any consultation between them. Transit was not on the agenda of state legislatures or local governments, except to grant franchises and for other private sector corporate type legislation.

When the private transit companies failed, the public sector often stepped in and took over responsibility for this mode of passenger travel. In some instances local city or county governments created their own agencies and became the transit operators, in other instances special authorities were established by legislation, and in a few states like Maryland the state assumed the transit role. When the new public sector transit agency was established, it often hired staff from the former private sector company. This tended to perpetuate the previous private sector viewpoint in the new agency, that the transit agency need not respond to or become involved with state or local government. While matters have changed significantly in recent years, especially as states, cities and counties called upon to make up transit operating deficits have insisted on the involvement of their governments in transit agency issues, the legacy of our formerly independent transit agencies remains. Because of this legacy, when UMTA was created it considered transit agencies as its clients, not their sponsoring state and local governments.

Given the different paths of development of highway agencies, which have always been part of the public sector, and transit agencies, which were once private businesses and have only recently joined the public sector, there is no long tradition of cooperation between the two modes. This is an obstacle that must be overcome, if we are to produce an integrated approach to passenger transportation.

But this is not the only important obstacle that needs to be addressed. There are also many intergovernmental obstacles, at both the state and federal level. At the state level, in any metropolitan area there are usually a number of both cities and counties, often with conflicting goals and different interests and levels of resources. The state governments also have responsibility for many governmental functions, more in some states than others. Add to this one or more transit agencies, a regional council or other multi-jurisdictional planning agency, and other agencies of interest at the public and private levels in any metropolitan area, and a complex intergovernmental picture emerges. No two of these intergovernmental pictures will be identical from state to state, or often even within a state, adding to the complexity of devising solutions.

At the federal level, problems also exist that create obstacles to producing an integrated transportation system. Because of the manner in which federal involvement in highways and transit developed over the decades, different committees and agencies, often with different objectives, deal with highways and transit. In the Senate, separate committees have jurisdiction over highways and transit. While in the House the Public Works and Transportation Committee has jurisdiction over both highways and transit, rail matters are located in another committee. In the U.S. Department of Transportation, highways and transit are separated into two administrations (with the exception of recent cross-cutting efforts of Secretary Skinner). This fractured jurisdiction over surface transportation at all levels of government, including the legislative branch, helps create separate thinking about transit and highways, and creates obstacles to planning and implementing an integrated, multi-modal transportation program.

These obstacles are not easily removed, especially the intergovernmental ones. Massive reorganization of the Congressional committees and U.S. DOT cannot be realistically expected, at least in the near future, nor can it be expected that the complicated intergovernmental relationships among the large number of local governments present in most if not all metropolitan areas will be greatly simplified. Thus, these obstacles will need to be addressed in other ways, at least at this time in American history. The following are some of the tools that might be employed:

- Congressionally Established Goals and Objectives

  The current federal government investment in highways and transit accounts for but a small percentage of the overall governmental expenditures - about 22 percent of total expenditures in each mode. It is hoped that Congress will return this percentage to former higher levels, but either way these federal dollars are of great importance. Looking only at capital expenditures, the federal funding in highways provides about one-half of all capital. Given the importance of federal dollars and the federal government's national responsibilities, AASHTO believes that Congress should establish national goals and objectives for the federal-aid highway and public transportation programs, to guide how the federal dollars are utilized.

Referring to the New Transportation Concepts for a New Century report, AASHTO set forth proposed objectives and goals for both highways and transit. For both modes the goals include: preservation of the systems; congestion relief; adequate funding; safety; access to all regions of the nation; a balanced, integrated and coordinated multi-modal network; and an adequate planning and research program. AASHTO's highway and transit program objectives build upon these goals, as do our program recommendations. In particular, for example, it is recommended by AASHTO that the purpose for the flexible highway and transit programs it has advanced should be to address identified transportation issues of national significance, as identified by Congress. We commend this concept to the Subcommittee, as one important tool to cut through the maze of obstacles.

- Adequate, Comprehensive Planning

Planning will be further discussed under the next set of questions. It provides perhaps the most effective way to overcome many of the intergovernmental obstacles to an integrated transportation system. But to be effective in producing an integrated transportation system all modes must be involved in the planning process, as must be all affected agencies, and the process must receive overall direction. AASHTO believes that the overall direction of the transportation planning process must rest with the states, which provide the legal authority to all local governments and other public agencies within their jurisdiction. This can be achieved by requiring each state to put in place a transportation planning process that will produce an integrated transportation plan, or to certify that the state already has such a plan in place.

The Association also holds that planning must be adequately funded, if it is to succeed. The funding should draw from all involved transportation programs, which at the federal level should include both highways and transit. To help avoid modal bias, Congress might want to consider a separate transportation planning grant from U.S. DOT, without reference to mode.

Incentives:

The first incentive to encourage state and local agencies to improve mobility and reduce air pollution more effectively is to provide adequate federal funding, both for planning purposes, and to carry out highway and transit programs.

With respect to planning, the states, local governments and their regional planning agencies must receive adequate federal support for the Clean Air transportation planning called for by Congress. Otherwise, it is doubtful if an adequate planning process can be developed and implemented, especially an adequate intermodal process.

Flexibility is the use of available federal funding is also an important incentive. Flexibility will be further addressed under a subsequent set of questions.

Question Set 1-B:

How can federal legislation create a stronger link between transportation planning and the allocation of federal assistance among specific projects? How should the allocation of federal transportation assistance be improved to relate planning at the metropolitan level more effectively to budgeting? What should be the role of states, metropolitan planning organizations, transit operators and other key parties?

Response:

This set of questions is focused on ways to make the transportation planning process more effective, for all levels of government. In dealing with this issue, Congress should resist seeking a "federal solution," by attempting to mandate one set of planning requirements that will fit all 50 states, over three thousand counties, our many more numerous cities, and all the nation's transit agencies. There is simply no "one size fits all" federal approach to comprehensive transportation planning; rather, the federal role should be to require the states, in cooperation with their local governments and transit agencies, to develop a transportation planning process that will meet the goals and objectives established by Congress.

While improvements in the current planning process are possible, it should be recognized that current processes in many states have had some successes and are not bankrupt. Current federal law on planning and programming is not an obstacle to multi-modal planning and intergovernmental cooperation in metropolitan transportation planning and programming. The process can work very well if the parties are willing. Conversely, it would be very difficult to write detailed federal law to try to force the type of open cooperation desired. This could place stifling, unneeded bureaucratic burdens on those areas where the process is now working effectively. The states very much want to avoid having the federal government play the role of enforcer of "forced cooperation" through federal review and approval of each step of the planning and programming process.

The states need to play a strong role in metropolitan planning since major projects for operational improvements or construction often cross multiple municipalities; since states usually have jurisdiction (funding responsibility) over strategic regional arterial highways in a metropolitan region; and since states often provide much of the funding for major transit capital projects.

In the end, effective multi-modal decision making is best accomplished by mutual cooperation, planning and trust. It should be the goal of the federal government to foster and encourage these three things, not to try and mandate them.

What are some of the problems with the current federally-sponsored transportation planning process? A key problem is that each mode tends to be addressed separately, rather than all modes being addressed in the same process.

Even in large metropolitan areas, many metropolitan planning organizations have substantial "internal" institutional obstacles to functioning in a multi-modal fashion. The "highway agencies" typically defer to the transit authorities on programming transit funds and vice versa for programming highway funds, rather than considering really multi-modal options. Perhaps establishing a discretionary program to fund truly multi-modal projects, to encourage these kinds of innovative solutions sometimes not now considered, should be explored. Another approach would be to provide at least some transportation planning funds through U.S. DOT rather than UMTA and FHWA, as suggested earlier, to remove modal bias.

Another problem with transportation planning is that it is often done in isolation from land use planning and decisions. Land use planning should carry out transportation goals, something that will become more important under Clean Air legislation in impacted metropolitan areas. While some states, such as Oregon, New Jersey and Florida, are now working to effectively link transportation and land use decisions, overall little linkage currently exists.

There are several possible tools for strengthening the planning process, some of which are discussed in The Bottom Line report. With respect to planning, the New Concepts report makes the following recommendation with regard to AASHTO's flexible highway program, corresponding to the Administration's Urban/Rural program:

> "AASHTO strongly supports the flexibility of decision-making, prioritizing and programming at the state level through processes that include city and county governments and ensure consideration of their surface transportation needs."

While AASHTO has not made specific recommendations on how to improve the federally-sponsored transportation planning process, the following are some concepts being discussed by states:

- Require representation by local public transportation operators on the decision-making body of the planning organization, together with representatives of the state and local governments.

- Require that the transportation plan address all modes, that it address issues of significance as identified by Congress, and that federal funds be expended according to the plan. In addition, the concept of requiring the plan to establish priorities for the included projects has been advanced, coupled with the requirement that federal funds be expended in accordance with those priorities.

- Require that each state certify that it has in place a distribution process for available federal transportation funds that is both fair and objective.

- Have both FHWA and UMTA regional administrators certify that the state, MPO and major transit providers in regional metropolitan areas are cooperating jointly in the planning and development program, as a condition of federal aid.

- Require that the metropolitan transportation plan document show how the plan will meet federal objectives, change travel patterns and modal splits, and relate to land use decisions.

- Require that the governmental units responsible for land use decisions demonstrate the alternative approaches to linkages between land use planning and transportation planning considered during the planning process, and provide assurance that land use decisions will be made in conformance to the content and timing of transportation projects identified.

Question Set 1-C:

What effect will the Clean Air Act Amendments of 1990 have on highway, transit and intermodal projects in major metropolitan areas? What changes in federal transportation legislation are appropriate to advance the purposes of the Clean Air Act?

Response:

The final impact of the 1990 Clean Air Act Amendments will not become apparent until after the current EPA rule making process required under the Act is completed, and the results analyzed. However, it is apparent from the Act that there may be major impacts on highway, transit and intermodal projects, depending upon the metropolitan area and its air quality status. These impacts may call for much more extensive use of transit, curtailment of vehicle miles of travel (VMT) on the area's roads, and changes in the design of long-planned highway and road projects, if not outright cancellation. The latter may occur even though projects have previously cleared an environmental review under existing procedures.

At a minimum, the transportation planning process should take into account the requirements of the Clean Air Act, and other environmental legislation. This will require increased funding, to assure the involvement of knowledgeable professionals. The ability to make transportation decisions in the enhanced environmental process that will flow from Clean Air Act Amendments would be greatly facilitated by the ability to transfer federal funding from one mode or solution to another.

Question Set 1-D:

What highway and transit funds should be available for transfer to other modes? Under what conditions should such transfer be permitted? How should such intermodal transfers be administered? What lessons should we draw from past programs for intermodal transfer of funding, such as the Interstate Transfer Program and Federal Aid to Urban Systems (FAUS)?

Response:

AASHTO is supportive of the ability to utilize flexible highway funds for either highways or transit, as is proposed in the Administration's Urban/Rural Highway Program. The Association also supports permitting states to transfer at least 20 percent of their funding from what the Administration calls the National Highway Program in its proposed Act, to its Urban/Rural Highway Program. This is five percent more in allowable transfers than the Administration proposes, and once transferred to the Urban/Rural Highway Program the funds could be used for transit.

The Association has adopted no specific recommendations regarding the transfer of funds from transit to highways. There is concern among the states that transit funding have some protection, at least to maintain current funding levels. The nature of this protection arises in connection with an AASHTO recommendation regarding the use of increased transit funding, above current levels.

AASHTO proposes that Mass Transit Account funds above the current discretionary program level of $1.1 billion be available for a broadened definition of public transportation to fund some high occupancy vehicle projects and projects to improve traffic operations. Eligible projects would be expanded to include:

- traffic signal improvements which provide priority treatment for transit and ridesharing vehicles;
- exclusive high occupancy vehicle lanes;
- transportation system management measures which provide priority treatment or improve operations for high occupancy and shared ride vehicles; and
- commuter rail service capital improvements which include service between multiple urbanized areas within a single state.

There are some states that have taken a more aggressive position on the transferability of funds between federal-aid highway and transit projects. Others would limit transfers between the modes to those instances where UMTA or FHWA, as appropriate, first make a finding that the basic needs of the mode from which funds are to be transferred have been met.

With regard to what lessons might be learned from the transfer provisions of the Interstate Transfer Program and the Federal Aid to Urban Systems (FAUS) program, the track record shows some successes on the former and essentially no use of the latter. One major metropolitan area that made great use of the Interstate Transfer Program is Metropolitan Washington, where by agreement of the involved state and local governments extensive use was made of Interstate Substitute Funding to construct the Metro system.

Overall, the Interstate Transfer Program proved to be cumbersome for public transportation, while, because of under-funding and other reasons, little use of FAUS for other than highway projects has occurred. It is difficult to decide how this experience might apply to the transferability provisions contained in the Administration's proposed Surface Transportation Act. A report by the General Accounting Office (GAO) presented on March 5, 1991 to the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation, discussed the situation as follows:

> "The states have had some flexibility since 1973, but the program's success was limited in part because mass transit had to compete with interstate highway needs. Now, UMTA and the Federal Highway Administration propose that funding flexibility would occur with the urban/rural highway program. Successful implementation of this funding approach will depend on the effective integration of transit and highway planning and decision making at the federal, state, and local levels. We are concerned about how the obstacles for effective integration will be removed.
>
> First, one transit objective is to move people out of their cars, and one highway premise is to build roads that can accommodate more and more cars. UMTA envisions a cooperative federal, state and local planning effort between mass transit and highways, but the criteria used to assess transit and highway projects may make it difficult to choose between the two modes. DOT prepares separate budgets for transit and highways, and no strategic plan exists at the federal level to provide guidance to the states, localities, and grantees to implement multi-modal flexibility. Also, given that federal dollars have predominately funded highway construction, the inclination to continue past practices and look to highways in lieu of transit may persist without federal direction or incentives to optimize flexible funding."

Again, the role of an effective, multi-modal transportation process becomes important if transferability is to truly succeed. But where the will is present and the process allows for it, transfers from one mode to another can be successfully handled, as demonstrated by the Washington Metro.

Turning to the question of why the Interstate transfer program succeeded in many areas while FAUS did not, it should be noted that the former program provided a "new" pot of funds for a local area to draw on. FAUS funding is part of the federal-aid highway program, and use of these funds is much influenced by local elected officials. Since the FAUS funding is designated as "highway funding" and there are huge, unmet urban highway needs, it has often proved to be essentially impossible for the local officials to transfer the funds to transit projects.

Question Set 1-E:

What are the benefits and drawbacks of the Administration's proposal for making highway and transit funds flexible? How does the proposal take into account the lessons of past initiatives? To what extent will the proposal foster integrated, multi-modal transportation decision-making?

Response:

The Administration's bill is truly ground breaking in the degree of transferability it proposes. Turning first to funding for the proposed National Highway System, such funding can be used directly for such transit-related purposes as fringe parking lots and HOV lanes. Beyond that, the bill proposes that up to 15 percent of the NHS funds could be transferred to the Urban/Rural Highway Program, all of which could be used for transit if the state and local governments so agreed.

One problem AASHTO has with the Administration's bill is the division of highway funding between the NHS and the U/R Program. The former received two-thirds of the funding, and the later only one-third. We believe this under-funding of the U/R Program, will mitigate against it being utilized for transit.

The Administration's proposal also allows for the transfer of transit funding to highways. Some feel that this provision will be taken advantage of, to the detriment of transit. Others, including the Administration, believe that an effective metropolitan planning program will assure equitable treatment of all modes. As I have noted earlier, there is concern in the states about protecting existing levels of transit funding in any new program, and limitations on use of transit funding like those discussed earlier might be a solution here.

The Administration's bill is very supportive of metropolitan planning, and provides additional planning funding. But some question if the bill goes far enough.

Before leaving the transferability issue, one more point should be made.

There is an implicit assumption in the questions given by the Subcommittee and others that there are significant amounts of federal highway funds that are not needed to keep up with the backlog and accruing needs for highways and bridges. This is simply not the case, as is identified in The Bottom Line report, discussed earlier. This report addresses the needs of our urban highways in relation to federal funding available for urban needs, and helps explain why more highway funds are not transferred to transit projects.

Since both urban highway and transit needs are so much greater than available funding, as documented in The Bottom Line report, there is great reluctance on the part of the respective "operating agencies" to transfer funds to projects for the other mode. The best way for the federal government to ensure that more funds are spent on transit is to increase funding for the federal transit program.

2. LEVEL PLAYING FIELD

Question Set 2-A:

Are there other sources of inappropriate bias against transit projects? How do these contribute to inappropriate transportation choices?

Response:

Tax Policy:

One area of concern to AASHTO and many others is the current treatment for federal income tax purposes of employer transit assistance to employees using transit, as opposed to employer provision of free or subsidized parking. Current tax policy is biased in favor of employer provided parking versus employer provided transit assistance. Parking spaces provided by employers are not taxed, while employer provided transit assistance is taxable for any amount above $15 per month; indeed, if the transit subsidy goes over $15 to say $18 dollars per month, then the entire $18 is taxable income. This affects a worker's decision as to which mode to use, and sends a signal that the federal government regards transit as second-class travel.

AASHTO policy supports a level playing field, and specifically recommends that the federal government "Develop a consistent tax approach regarding tax exempt fringe benefits as they are applied to transit users as compared to the current fringe benefits afforded automobile users (e.g. employer subsidized parking)."

Planning Capabilities:

Due to the current composition of many if not most metropolitan planning agencies, which have a small public transportation staff, the majority commonly exhibit a continuing highway emphasis. Past track records substantiate this assertion. In addition, modeling techniques now in use tend to simply extend present trends into the future and do not guide change.

Further, both local and state transportation agencies commonly have much smaller staff numbers and budgets for transit than for highways, making it difficult to achieve comparable modal analyses and integrated projects. Transit operations, usually part of local governments, are limited by insufficient staff numbers from participating fully in the planning process.

Decreased support for public transportation at the federal level discourages integrated, multi-modal projects at the local level. The Administration's proposal to hold transit funding flat for five years while highway funding increases each year contributes to the feeling that the playing field is tilted toward highways.

Funding Levels and Matching Shares:

The relative amount of federal funding provided to highways and transit is important, as are the matching ratios. Often the amount of available federal aid, or a change in the rules for using the aid, can drive a transportation decision. Decreases in federal operating aid to transit, for example, can turn localities to highway solutions which do not require the same level and types of ongoing funding, even though transit is a better solution for the community.

Localities and states tend to choose the mode or modes which cost less in local funding, which is why matching shares are important. These choices may continue current travel habits and not encourage the pursuit of national goals for clean air, energy efficiency and greater mobility.

Possible Urban Transit Bias:

Besides the highway bias that many cite in the highway-transit situation, some AASHTO member departments are concerned that within the transit program there is a bias favoring urban over rural issues. It is important to note that some states have identified transportation corridors with congestion problems that require a multi-modal approach, with the corridors being located in nonurbanized areas. If Section 3 funding is significantly reduced in favor of Section 9, there would be no available federal source of transit capital funding for these corridors except the meager funds in Section 18.

Question Set 2-B:

How can refinements of federal law reduce or eliminate these biases? How can requirements for review and approval of transit projects be expedited and made more similar to the requirements for comparable highway projects without undermining the objectives of environmental review and appropriate cost containment procedures?

Response:

Tax Policy:

Federal tax law should be changed to provide equal tax treatment for parking and transit allowances.

Planning Capabilities:

AASHTO has not developed comprehensive recommendations in this area. The following observations are based on comments made by several states, and my own personal observations, based on my experiences as a member of a major county governing body for 14 years, membership on the WMATA Board of Directors, and other related activity.

Enough federal money should be made available to assure that adequate planning staffs are available, and to carry out necessary research to develop better planning models and tools. In addition, states, local governments and transit agencies, as well as the metropolitan planning agencies, should be encouraged and supported in developing modally-balanced transportation planning staffs and systems. Integrated multi-modal transportation decision-making can be fostered if additional federal emphasis (resources) is given to public transportation so that public transportation is not an afterthought or in a secondary position.

Other actions suggested by states that might be considered include:

- Require that each transportation project document potential impacts on future land use and air quality, whether for highways or transit.

- Establish incentives (or requirements) for state and local governments to provide dedicated revenue sources to support public transportation programs, to the same relative extent as highways.

- Provide full federal funding for costly federal requirements and regulations (for example: ADA, Clean Air, Alternative Fuels), so that project funding is not affected and equity is maintained between the modes.

- Carefully review regulations and remove unnecessary stringency.

- For new starts, accept comparison with transportation system management (TSM) alternatives as appropriate. However, local commitment to a strong land use-public transportation linkage, and air quality, energy and environmental improvements, should be factored in as well.

- Review the alternative analysis requirements, and adopt analysis procedures for highways and transit that are both equitable and balanced.

Federal Funds and Matching Shares:

AASHTO's proposed levels of federal funding for both highways and transit have been discussed earlier. Adoption of these funding levels would help provide a more level playing field.

As to matching shares, AASHTO supports those in the current program for transit, except that a new formula is urged for capital funding above the current level.

Under its flexible highway program, corresponding to the Administration's Urban/Rural Program, AASHTO urges that the states be allowed to set the match ratio. The overall control is that in the total highway program, an average match of 85 percent federal, 15 percent state would be maintained. Allowing the states to set the Urban/Rural match would allow each project to receive equitable treatment.

Possible Urban Transit Bias:

Any federal transit program should address both rural and urban transit needs.

Question Set 2-C:

What would be the benefits and problems of using Section 3 discretionary grant assistance as a supplement to other sources of federal assistance to transit rather than as the sole source of federal assistance?

Response:

The problem AASHTO finds with this approach is that it would reduce a significant source of federal funding for transit (the general fund of the Treasury) that has traditionally been used to fund transit operations. When the Mass Transit Account was established in 1982, the agreement reached was that these funds would be available for transit capital projects, and that general funds would be retained for operating purposes. Funding the transit program from the Mass Transit Account only would eliminate a significant source of funds for transit, and this problem would be compounded in that it would likely mean the elimination of operating assistance to transit systems at a time of rising operating costs.

Further, it is important to maintain a viable, discretionary Section 3 program rather than expect Section 9 to respond to large capital needs, especially since Section 9 funds cannot now be used in rural areas. The Section 3 program must remain available for rural transit needs.

3. MORE EFFICIENT PROJECT MANAGEMENT AND FINANCING

Question Set 3-A:

How can we design UMTA commitments - contingent upon the future availability of funds - that will provide enough predictability for grantees to engage in more efficient management and financing of major capital projects?

Response:

- Assure that consistent and reliable funds are available on a multi-year basis and that the rules for receiving the funds do not change during the life of the particular project.

- Provide greater latitude for UMTA grantees in acquiring land and right-of-way. The Administration's proposed Surface Transportation Bill includes several right-of-way provisions which could be of help.

- Provide for phasing of transit projects, with each phase being considered an independent project that can be programmed and contracted out separately.

- Provide for greater use of certification acceptance process, under increased state auspices. New federal funds should be made available to support this expanded state role.

Question Set 3-B:

What changes in federal law should be made to permit UMTA grantees to achieve greater efficiencies in major capital procurement of facilities and rolling stock? How do current practices lead to inefficiencies in operations?

Response:

- Retain as much regional UMTA authority in project management and oversight as previously, and assure an UMTA staff adequate to avoid creation of backlogs, delays, and inconsistent decision making. A timely review of projects by knowledgeable people should be the goal.

- The U.S. Department of Labor and U.S. Department of Transportation should resolve long-standing issues under the 13-C labor protection provisions.

CONCLUSION

It is trusted that this statement responds to the request of the Subcommittee. I will be pleased to respond to any questions.

In conclusion, AASHTO commends the Subcommittee for its aggressive action on reauthorization of the federal transit program. We hope that a reauthorization bill will soon be introduced in the Senate, and will be pleased to provide any further assistance toward that end.

# # #

Senator CRANSTON. What is your suggestion on the size of metropolitan areas to be covered? And how do you reach whatever conclusion you reach?

Mr. FRANCOIS. Mr. Chairman, tradition is all I have to go on.

Certainly the 200,000 level is one that we have worked with in the past, and everyone is comfortable with; 50,000 has been used for other purposes in the past.

I think to go below 50,000 raises a host of problems and adds a whole group of other metropolitan areas. I do not know what the magic number is.

Regardless of the size of that number, if it is a nonattainment area I think it needs to be on the list without any question, because clearly we must have comprehensive planning in nonattainment areas.

Senator CRANSTON. In your prepared statement you quote The Bottom Line report and you say: ". . . that while the total investment by all levels of government in our highway system in 1987 was $66 billion, it should have been [according to The Bottom Line] $80 billion just to keep the system operational at current levels, and $100 billion if we hope to address current congestion problems and begin to accommodate the growing need to move more passengers and freight."

Do you really believe that if we build more highways, or freeways, or whatever, that we will relieve the congestion problem?

Our experience in California seems to be the more you build, you still have the same congestion, and we are running out of space in metropolitan areas where highways can be built.

How do we deal with that?

Mr. FRANCOIS. I agree with you totally on that, Senator.

We can build additional capacity.

That capacity, if the past is any precedent, will be immediately filled, if not filled before it is built.

Now we need to analyze why that is occurring.

It is occurring because of the type of development patterns that we have encouraged and allowed around our cities, the suburban sprawl in metropolitan Washington and elsewhere, and that is what we have voted for through various planning bodies at various levels.

The problem now is to serve that kind of development.

Now we can prevent, if we have the willpower, future developments of that kind.

So again we believe that there must be a linkage between land use planning, land use controls, and transportation.

We can no longer afford the luxury of having transportation service all development.

We have got to start constraining development to what transportation can serve, which is a different concept.

Beyond that, our lifestyle changes, too, are a lot of the reasons why there are more people out there.

With all the entry of the women into the work force that we had during the 1970's, with the tremendous increase in jobs that this Nation had, most households now have at least two or three people going to work.

When they go to work, they do not all go to the same place.

It is very difficult in transit to service all movements of people to and from work.

Especially this is true as we spread our job centers throughout the metropolitan areas.

The end result is more traffic on the highway than in the past.

And with two people working, you have another result of all this.

That is, that all the normal household activities now have to be concentrated in either the nighttime or the weekend.

As a result, as in metropolitan Washington, the worst traffic congestion occurs on Saturday, not during the day, because everybody is out on the road at the same time doing those things they would normally have done during the week by one person in the household.

So, yes, I agree with you that if we build additional transportation facilities of whatever kind, they are going to be filled because of the way our Nation is changing.

If we don't control development and how it spreads and where we put things, and if we don't agree on higher densities necessary to support the Metro Lines in Washington, and in Baltimore, and elsewhere, then we are going to have an ongoing problem.

So there are a lot of things that have to be linked to each other here.

Senator CRANSTON. You also say in your prepared statement: "The best way for the Federal Government to ensure that more funds are spent on transit is to increase funding for the Federal transit program."

That would be great, except I think it is impossible now, given our budget constraints and the concrete that we seem to be stuck in on present approaches to budgeting to expect any significant additional money.

So the question is: Can we better allocate what is available?

How do you feel about the suggestion that local government, local decisionmakers in transportation generally, be given greater flexibility in determining how whatever funding is available should be used, whether for highways and parks, or more for something else, or more for highways, or whatever?

Mr. FRANCOIS. We strongly support flexibility.

Now what does that mean? That is a very good question. Unfortunately, "flexibility" will mean that we will be fighting more and more over no more or even less than we now have.

That is unfortunate.

That means we will simply be robbing Peter to pay Paul, or robbing highways to build transit, or robbing transit to build highways.

That is not the right way to do business. We have to get more resources in the field, somehow.

I agree that the budget agreement last year put some very severe caps on us, but I think we must find a way to break through those caps somehow.

Now we do have money unspent in the Highway Trust Fund, as you are well aware, Senator, for both highways and transit.

The decision of Congress when fuel taxes were increased last year was to take 2.5 cents of that and put it into the general budget.

OK, but that does not help highways.

It might help transit if we keep general funding support for transit.

But if we follow the administration's approach and end that, then that 2.5 cents is also totally gone.

The 2.5 cents that was put in the Highway Trust Fund could be used, except there is a spending cap on.

Now the other body is at least considering an approach to this that would involve imposing a still further 5-cent fuel tax to be dedicated specifically to transportation purposes, and with a provision under the House budget agreement that it be exempted from the spending caps.

Mr. **Williams**. Frank, why should we believe that money would go to transportation?

Mr. **Francois**. Well, that is a very good question.

Senator **Cranston**. What did you say, Carl?

Mr. **Williams**. Why should we believe that that 5-cent tax everyone is talking about will indeed go to transportation?

Mr. **Francois**. That is a good question.

Senator **Cranston**. Yes.

Mr. **Francois**. And we don't believe that until we see it in print, which is why that particular 5-cent proposal is going to have a very difficult time in the House, and probably a tougher time over here.

Senator **Sarbanes**. I would like to ask a question right at this point, in light of that comment.

How many people around the table think that the issue can be addressed, or that the path to follow is to accept the spending constraints, and then work out a system beneath those constraints?

And that in fact if you rearrange the chairs on the deck in a proper way, you can really take major strides forward?

Or is there a view that you can do some things, but unless you get more resources you are just not going to break through the block that exists in addressing our transit problems?

Mr. **Francois**. Senator, just to finish my comments on that, you know what Maryland is going through, our State, right now with this whole issue.

That is really what is going to be on the boards everywhere.

There must be a greater investment for both highways and transit.

I do not think anyone can argue with that.

It comes from one of two sources: The Federal Government and/or the State government and local governments.

We know what problems we have in Maryland right now trying to raise our own revenues back in our own State. The same is true in most States.

But ultimately, if it is not Federal dollars, it will have to be local dollars or privatization, which offers some help, also.

Carl's point that using a better planning process to maximize what we can get out of our current dollars is extremely important.

But even then we believe you will need more from somewhere.

STATEMENT OF JOHN KAIN, PROFESSOR OF ECONOMICS, HARVARD UNIVERSITY, CAMBRIDGE, MA

Professor KAIN. I have a somewhat different view on these issues.

On the first issue of the emphasis on more money, both for highways and for transit, I have a couple of difficulties with that.

The first difficulty is that I am very, very seriously concerned about the deficit.

I think the deficit is in fact doing us enormous harm in terms of our options to be able to build.

Second, I am concerned about other needs which may be even greater than our transportation needs.

So I think in the first instance that we need to look very hard at whether we are doing the best job we can with the dollars that we have available.

What disturbs me in that regard is that when I look at the transit programs I see enormous waste.

The most clear example of waste is the so-called "New Starts Program," and sometimes called the "New Starts Rail Program."

This program is a national scandal.

We have spent billions of dollars on building inappropriate new rail systems, in many cases in low-density dispersed metropolitan regions, and the net effect of that has been to hardly increase transit ridership at all in the most charitable calculations, and unless charitable calculations the effect may have been to actually decrease ridership.

So that I think first we would look at this waste, which is just completely unacceptable.

My proposal with regard to the Capital Grants Program would be to take all of that Capital Grants Program and combine it with the operating moneys, and make it available on some simple formula, possibly a per-rider basis, or expenditure basis, to individual local governments.

One of the things I found striking about this statement, with all of the discussion about flexibility, the committee statement seemed to stop at flexibility in terms of using capital funds for operating expenditures, in spite of the fact that all the evidence I think indicates that the impact on increased ridership of the additional service miles with lower fares and so on is by any measure going to be greater than the increases you can get through these capital expenditures.

So I think there is enormous waste in the mass transit program.

I hope that you will attack that waste and do what you can about it.

On the highway side, the problem I think is primarily gross mispricing of highways.

The problem we have is we have facilities that cost enormously different to build.

When it comes to pricing them, the money we charge for their use, we essentially charge the same amount of money to use every mile of highway regardless of what it cost to build.

The result is that congestion becomes a rationing device.

Congestion is, again, an enormously inefficient and wasteful device.

What we need to do is begin to develop either direct-pricing measures for the road or, alternatively, indirect ways of pricing for transport facility that will cause people to consider the social cost of the use of those facilities.

In my prepared statement I offer a couple of suggestions.

I will just mention one of them now, and if we have time I will come back to some of the others.

The most important thing that Congress could do—and I recognize that this is not directly in the jurisdiction of this committee—the most important thing that Congress could do today to improve the environment for transit would be to abolish the current subsidy to employer-provided parking.

We provide enormous subsidies to employees indirectly through the tax code, and there is no single measure that you could take to benefit transit more and to improve the performance of our urban transport system, both the highways and the transit, than to eliminate that exemption; to require employers to essentially make their employees pay the full cost of providing that parking.

Mr. WILLIAMS. Mr. Kain, have you also considered congestion pricing where you would actually use tolls as a device for getting people to pay what the service is worth on the roadways?

Professor KAIN. Yes. Now of course as an economist that is always the first thing an economist suggests.

My view of congestion pricing historically has been—first let me say what congestion pricing is.

As most economists describe congestion pricing, it is a procedure whereby you would charge different amounts to use roads from different parts of the city for different times of the day.

My view of sophisticated pricing systems in the past has been that you can get almost as much out of simpler and more primitive systems—either charging systems such as surcharges on central area parking, or central area licenses, or various kinds of traffic engineering systems that would mimic the way in which a congestion pricing system would work.

HOV facilities, bus and carpool lanes, are a good example of a physical device that mimics a sophisticated road-pricing system.

Now having said that, I should indicate that the world changes.

One of the important changes that is occurring in this world is that the cost of technology for road-pricing systems is rapidly plummeting.

I would hope that this committee would include in the legislation a strong requirement that the Department of Transportation aggressively investigate various kinds of road-pricing schemes.

There are more and more experiments around the world.

The cost of these systems is becoming more and more—is becoming less and less. The reliability is increasing.

It is possible that within the next decade that the opportunity to make a major breakthrough and really in a sense price these transport facilities correctly may be available to us, and I would urge you to include that in your bill.

Mayor **Rubach**. Mr. Chairman, I am going to take exception to a couple of Mr. Kain's comments about "gross mismanagement" and "waste."

I think some of that is definitional.

I have not had the opportunity yet to explore some of your probably very creative solutions, but I would like to toss out one thought that I think has always been a problem when we assess the effectiveness of transportation and transit in general.

I do not think that we get the whole picture.

They typically will take and publish the operating costs, the fare box recovery, and subtract the one out and say look at what this costs.

If you took and took a more holistic approach and pulled from every single Federal, State, and local budget for jobs, for human service-related or health care, related, the transportation component for those budgets for schools, the section of their budget that is on capital, and for our seniors, the programs that relate to them that are transportation-related because in many parts of our country, and specifically in mine, we have no transit system, you would come up with an enormous cost that is an opportunity-lost cost basically.

I think we are missing that in the analysis of the effectiveness of transit systems.

If you take a look at, for example, the MARTA system where they in a multimodal way in the Atlanta area increase not only miles of concrete but put a system in place and increase the assessed valuation, and the actual cost of that system if you look at the jobs created, if you look at the assessed valuation created that gets to funding for many things, including Federal projects, I think that you get a more holistic sense of how transportation is integrally related to everything.

If you always pull it out and just go as a strict cost factor, we do not do that for most other things.

We should not let people do that to transit.

I feel that if there is to be any hope for areas that are emerging or growing, Frank spoke to the issue of the northeastern communities that have very little ability to make changes at this point because they are hemmed in, the newer communities could get their act together if you create the vision.

If you set the goals at a national level and say here is what you are heading for, here are the carrots that we are going to dangle for you to do this cooperative effort to actually get congestion relief for the most number of people, the clean air that the Environmental Defense Fund and everybody else is looking for, and set those as the carrots, then I think you are going to have a bunch of people marching to go become rabbits in your garden.

But if we continue to have fragmented programs that do not look at the whole value of transit in the big picture for clean air, for better land use, for declining urban sprawl, and all those other goals that we have, then I think we are never going to achieve our overall goal.

Senator **Sarbanes**. Mr. Kain, is it your view that the transit systems contribute to the deficit?

Professor **Kain**. Excuse me?

Senator SARBANES. Is it your view that the transit systems contribute to the deficit?

Professor KAIN. Well, I think first I wanted to say that "transit systems" is too general.

I mean——

Senator SARBANES. The Federal transportation programs. Is it your view that they contribute to the deficit?

Professor KAIN. By that? You would have to explain to me what you meant by that.

So they build up these reserves, which are on offset to the deficit.

Professor KAIN. Right.

Senator SARBANES. The transportation programs are in effect more than paying for themselves at the moment, and the surplus is being used as an accounting device to offset the deficit figures.

Professor KAIN. Yes. And I am in favor of even larger increases in gasoline taxes than anyone has seriously proposed. I would use these increased gas receipts to reduce the deficit or to fund other higher priority social programs.

I favor a large increase in gasoline taxes because I believe such increases would benefit transit and would encourage people to use more efficient vehicles. As my prepared statement indicates, increases in gas prices would increase both transit use and carpooling.

In addition, higher gas taxes would reduce our reliance on imported fuels, would contribute to attaining our air quality goals, and would reduce the emissions that contribute to global warming. While I do not know whether global warming is actually occurring, I subscribe to the view that it is provident to implement inexpensive and cost-effective measures, such as raising gas taxes and prices, that would reduce these emissions.

These are the reasons I favor a large increase in gas taxes.

The question as to how the large increase in tax revenues would be used is a separate, and in my mind, a secondary issue.

[The complete prepared statement of John Kain follows:]

Suggested Changes in the Urban Mass Transit Act and Its Administration

Statement Prepared for the United States Senate, Committee on Banking, Housing, and Urban Affairs

John F. Kain

Professor of Economics
Harvard University

December 1, 1990

Introduction

The availability of federal discretionary capital grants for transit, the so-called new rail starts program, has encouraged regional transit authorities (governments) to plan and build costly rail transit systems that, at best, do little to increase transit ridership, and, at worst, lead to actual ridership declines.* In addition, the procedures used to evaluate transit projects, and to select them for federal funding, are badly flawed.

As Pickrell (1989) and Kain (1990) have shown, the incentives created by the discretionary grant program and associated evaluation guidelines have corrupted local planners and have encouraged them and their consultants to prepare seriously misleading evaluations. Their elaborate and costly projections of future costs and ridership invariably underestimate capital and operating costs, often by large amounts, and at the same time overestimate future ridership (Pickrell, 1989). As a result of these forecasting "errors," large amounts of federal and local tax revenues have been used to build rail projects that have provided few, if any, benefits, and in a surprising number of instances, appear to have actually reduced transit ridership. Even where these large expenditures have led to increased transit ridership, it is clear that much larger increases in ridership could have been achieved by spending the same amounts for other transit improvements.

The forecasting errors identified by Pickrell (1989), Kain (1990), and others are not accidental. By creating nearly irresistible incentives, i.e. 80 percent federal financing of capital projects, the federal government has encouraged local planners to plan and propose projects whose social costs far exceed total social benefits, and, at the same time, has corrupted the process of evaluating these projects. Worse yet, this badly flawed process and the seriously biased forecasts it produces are frequently used at the local level to mislead voters and to justify costly and wasteful transit projects (Kain, 1990).

The most certain, and possibly the only, way of eliminating these abuses would be to sharply curtail and modify, or better yet, entirely eliminate, federal discretionary capital grants for transit.** If the federal capital grant program is retained, my next line of defense would be to sharply reduce the federal share to no more than 50 percent of total project costs, and preferably less. The matching of federal contributions by local governments and transit authorities, moreover, should be project specific.

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* For evidence supporting these assertions see Congress of the United States, Congressional Budget Office (1988) and Kain (1988).

** I have deliberately ignored the very real question of whether the Federal Government should be subsidizing local transit authorities. The case for such subsidies is by no means obvious.

While a substantial increase in the local match for federal capital grants would be beneficial, if it were my decision, I would replace both the existing transit capital grant and operating subsidy programs with a single annual grant. The level of federal assistance provided each year to eligible organizations should be determined by a simple formula that recognizes the level of effort and/or the extent of transit use in each area.

Allocation Criteria for an Annual Transit Grant

Existing transit operating and capital grant programs should be replaced with a single annual grant. I do not have strong views about the precise allocation formula that should be used. The formula, however, should be simple and transparent, and, as I indicated above, it should be based primarily on the extent of transit use in each eligible area. Last year's ridership (linked transit trips), transit passenger miles, and expenditures are obvious candidates for allocation criteria.

The principal advantages of using last year's transit expenditures as the basis for allocating federal transit aid is that expenditures reflect significant differences among areas in the cost of providing transit services, fare levels, and the levels of effort (subsidies provided) by state and local governments. The principal disadvantage of using expenditures as the criterion is that it would, to some extent, reward inefficient operators for their ineptness. Still as long as federal aid remains a modest proportion of total transit expenditures, these disincentive effects should be fairly small.

Use of last year's transit ridership (linked transit trips) or last year's transit passenger miles would avoid the problem of rewarding inefficient suppliers. At the same time, insofar as there are legitimate cost differences among cities, a formula based solely on output measures would not reflect them.

If it was determined that input price differences should affect the allocation formula, it would not be difficult to develop a formula that would take such input price differences into account. Labor costs are the largest component of transit operating costs and it would be fairly easy to construct an index that took account of labor cost differences among cities. It is important to emphasize, however, that a labor-cost based input price index of this kind should be based on the wages and fringe benefits paid by private employers to workers in comparable occupations, and should not be based on the wages paid by public transit operators.

Strengthening Project Selection

While the most certain way of ending the waste that has characterized the federal transit capital grants program would be to eliminate the program entirely, an alternative approach would be to retain the program, but strengthen UMTA's alternatives and oversight analysis process. The most essential first step would be for Congress to stop mandating individual projects, i.e. its current practice of making allocations to specific cities/projects. The program's performance will not be improved unless, and until, Congress removes itself from the selection process and allows the determination of which, if any, transit projects are to receive federal capital grants to be based solely on "objective" cost-effectiveness and/or benefit cost criteria.[*]

During the past several years UMTA has developed increasingly sophisticated methods for evaluating transit investment projects, which have come to be known as the AA (Alternatives Analysis) process. The most serious problem with UMTA's AA process is that it has not been used to make funding decisions for the majority of rail start proposals. While transit agencies invariably carry out expensive and complex planning studies for federally funded projects and calculate cost-effectiveness measures, as prescribed by UMTA guidelines, these analysis appear to have very little to do with actual federal decisions to fund specific projects. In nearly all cases, these funding decisions are made by Congress, which earmarks funds for particular projects.

This is not to say that UMTA's AA process has had no beneficial effect on the plans developed by local transit authorities. Local transit authorities appear to be uncertain about just how much influence UMTA actually has, and, as a result, their decisions about the design of particular projects are clearly influenced by UMTA's participation in the process. Unfortunately, UMTA's AA process is also frequently used by local transit agencies to justify wasteful and inefficient projects at the local level. The promise of federal dollars tends to blunt local interest in the cost-effectiveness of proposed systems, and all too often participation in the UMTA AA process is used to legitimize bad projects.[*]

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[*] The quotation marks around objective are an acknowledgement of the difficulty of developing "objective" criteria and applying them consistently. At the same time, it is obvious that the gross deficiencies of the transit capital grant program are not due to our inability to develop appropriate criteria and methods of quantifying them. Instead, they are the result of an unwillingness to play by these rules, even though the Uniform Relocation Assistance Act of 1987 includes "a requirement that Federal new start funds may only be granted to those projects that have complied with the Federal planning process, including alternatives analysis, are cost-effective and have an acceptable degree of local financial support for both operations and capital replacement" (UMTA, 1988, p. 137).

Improving UMTA's AA (Alternatives Analysis) Process

If Congress agrees to relinquish its current role in selecting transit capital projects and unambiguously gives UMTA responsibility for devising and enforcing appropriate selection criteria, it will then become important to strengthen the criteria and procedures UMTA uses to evaluate proposed projects and to determine their suitability for funding.

The first step in improving UMTA's evaluation and selection criteria would be to require applicants for federal capital grants to unambiguously show that:

(1) the total social benefits of proposed projects exceed total social costs, and

(2) expenditures of the same annualized sums for other transit improvements, including fare reductions, would not result in larger increases in transit ridership or larger net social benefits, where net social benefits include various quantifiable indirect benefits and costs.[**]

In addition to these general criteria, the discussion presented below offers a number of specific suggestions for improving UMTA's evaluation process. This reflects my belief that some type of federal transit capital grant program will be retained. My specific comments, presented in subsequent sections, use Houston's efforts to plan and build a rail transit system, and particularly its assessments of its so-called rail system connector, to illustrate more general concerns.

The Houston experience is particularly pertinent for three reasons.

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[*] See Kain (1990) for a discussion of DART's (Dallas Area Rapid Transit) misuse of Federal Cost-Effectiveness measures in justifying its proposed rail plan to local voters.

[**] Advocates of costly rail systems often attempt to justify the large subsidies required by pointing to their indirect benefits. The most important of these indirect benefits, however, reductions in air pollution and congestion, energy savings, and the like are nearly directly proportional to the level of transit ridership. Thus, as a first approximation, the amount of indirect benefits are directly proportional to system ridership. While these indirect benefits may be a valid justification for public subsidy of transit systems, they are not a justification for building rail systems that will attract fewer riders than would use an all-bus system costing the same total amount. Total costs in this instance include both operating costs and annualized capital costs.

(1) Houston METRO (Metropolitan Transit Authority of Harris County) is a clear-cut transit success story. Since 1980, METRO has increased annual transit trips (revenue passengers or linked trips) by nearly 75 percent.

(2) METRO is currently building an innovative 96 mile transitway system on a pay-as-you-go basis. Thirty-eight miles of transitways are already in service and the entire 96 mile system is scheduled to be completed by the mid 1990s. The system has been funded by a combination of federal capital grants and local sales tax revenues.

METRO's extensive transitway system, which permits buses, vanpools, and carpools to operate at high speeds in a congestion-free environment during peak periods, is arguably the most significant rapid transit system built in North America since the end of World War II.*

(3) There are few cities that are less well suited to rail transit than Houston. In spite of this fact, transit planners, some elected officials, and various interest groups have been attempting for more than two decades to persuade Houston voters and the Federal Government to provide funding for a succession of rail transit schemes. The issue is still unresolved.

Choosing Suitable Low-Moderate Cost Alternatives

While Kain (1990), Pickrell (1989) and others have documented serious and systematic "errors" in the ridership and cost forecasts used in these studies, the most serious weakness of the UMTA AA process, as currently implemented, has to do with the specification of alternatives, particularly the all-bus systems that are used as a baseline in evaluating proposed rail investments.

In nearly all cases a local transit authority or transport planning organization has already selected a particular capital project before it begins UMTA's formal AA process; this project is usually, but not always, a rail rapid transit system. In their present incarnation the UMTA guidelines require applicants for federal capital grants to compare the proposed capital project to a no-action alternative and to a TSM (Transport System Management) alternative.[*]

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* A major concern with the proposed rail system connector was that its implementation could easily degrade the performance of Houston's cost-effective transitway system. The most likely way this would occur would be for the authority to force users of the transitway express buses to transfer to the rail system connector as a way of boosting rail ridership. The result would be less transit use overall.

After the alternatives have been specified, the applicant for federal funds uses expensive, complex, and difficult-to-evaluate land use and travel forecasting models to project future transit ridership for each alternative. Projections of transit ridership in some design year are then compared to estimates of the annual cost of building and operating each system, expressed as an annualized cost per transit trip and as an annualized cost per additional transit trip, relative to a low-moderate cost all-bus alternative.

Houston's Rail System Connector

In November 1989, METRO's board voted 8-1 to reverse an earlier board decision to build a so-called rail system connector. The board's decision was prompted by a searching reexamination of the rail plan initiated by Robert C. Lanier (Chairman of METRO's board). According to a Houston Post story by John Whitmire (1989), the board scrapped the plan because, "it would cost too much and wouldn't attract enough riders."[**] Soon thereafter, Houston's Mayor, Kathy Whitmire, fired (did not reappoint) Lanier.

Whitmire replaced Lanier with a chairman who is more committed to building rail, and Houston METRO is once again hard at work developing still another rail plan, is working closely with UMTA on specifications for a new alternatives analysis, and, perhaps more importantly, is lobbying Congress for additional funds for its still unspecified rail proposal. Congress, meanwhile, has already earmarked $155 million of federal funds for the system, even though METRO has yet to complete an acceptable alternatives analysis or Environmental Impact Statement (EIS) for any of its rail proposals.

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[*] In the case of new starts, the proposed rail project is normally what UMTA refers to as the Minimum Operational Segment (MOS) of a more extensive rail system. The do-nothing or no-action alternative is normally the existing bus system with the addition of sufficient vehicles to accommodate projected future demand, and the TSM alternative included in these studies typically consists of an all-bus system with a number of low-moderate cost improvements.

[**] The story quoted Lanier as saying, "We'd loss some of our ridership and a lot of money if we go ahead with the project... If we know it doesn't work, then let's put it to bed." The story further quoted Lanier as saying that the system, which was originally was expected to cost about $1 billion to build, now has an estimated capital cost of $2 billion, that the projected operating costs of the proposed system would be about $40 million a year, and that this money could be better spent on improving the current bus system and the city's streets.

Houston's recent evaluations of its so-called "system connector" illustrate the kinds of "errors" that plague efforts to implement UMTA's AA process at the local level. Houston's experience, moreover, particularly illustrates the importance, and inherent difficulty, of identifying and specifying appropriate low-moderate capital cost alternatives to proposed capital projects.

In the discussion that follows two separate assessments of Houston's rail system connector are discussed. In the first analysis, METRO (1987) found a Grade Separated Rail (GSR) alternative would carry 13.5 percent more transit trips per day in 2000 than a TSM (Transport System Management) all-bus system that would cost $630 million (1986 dollars) less. In contrast, a second analysis, done as part of METRO's 1989 "Rail Research Project," determined that a Best/Better Bus alternative developed by Kain (1989) would carry at least five percent more daily transit trips per day in 2000 than a revised GSR system.* The revised GSR system evaluated in 1989 also had a higher price tag; its estimated capital costs were more than one billion dollars (1988 dollars) greater than those of the Best/Better Bus alternative.

METRO's 1987 Alternatives Analysis

In March 1987 METRO (Metropolitan Transit Authority of Harris County) published an AA (Alternatives Analysis) which compared Year 2000 and 2010 projections of ridership and cost for four alternatives: TSM-Bus, Busway, Grade-Separated Rail (GSR), and Light Rail (LRT). The principal results of these analyses are shown in Table 1.

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* A report on the Rail Research Project prepared by TTI (1989a, p. vi-12) for METRO reaches somewhat different conclusions, and emphasizes the similarity of the projected ridership levels for the various alternatives and forecast sources. "Year 2000 estimates are generally in the range 250,000 to 300,000 daily revenue passengers; most of the estimates are between 260,000 and 290,00. Given the accuracy of the estimation process, where the estimates are this close, it is difficult to clearly state that one alternative is superior to the other."

While TTI's observations about the uncertainty of the ridership forecasts are certainly valid, the study nonetheless documented important and systematic differences among the several forecasts. These differences become particularly pronounced when an effort is made to evaluate the effect of the low transfer penalties used in the METRO forecasting model and other sources of bias, such as overly optimistic rail speeds and frequencies, on projected ridership. These issues are discussed in Kain (1989, pp. 53-61), and subsequently in this paper. A close reading of the TTI (1989a) report, suggests that its authors deliberately minimized the importance of these differences, possibly to avoid further undermining the creditability of METRO's forecasts of future transit ridership and its forecasting model. Both had been badly battered by the review process.

Table 1. Ridership and Cost for Alternatives Included in Houston's
1987 Alternatives Analysis for 2000 and 2010

Category	2000				2010			
	TSM	Busway	GSR	LRT	TSM	Busway	GSR	LRT
Revenue Passengers								
Annual (Millions)	72.9	75.7	82.8	80.0	97.6	105.0	108.5	108.0
Annual Costs (Millions 1986 Dollars)								
Operating Costs	$230	$225	$213	$212	$288	$288	$255	$257
Capital Costs	$830	$950	$1,440	$950	$1,610	$1,960	$2,620	$2,160
Costs Per Transit Trip (1986 Dollars)								
Operating Costs	$2.00	$1.96	$1.53	$1.60	$1.80	$1.58	$1.13	$1.12
Annualized Capital Costs	$1.14	$1.25	$1.74	$1.19	$1.65	$1.87	$2.41	$2.00
Total Annualized Costs	$3.14	$3.21	$3.27	$2.79	$3.45	$3.45	$3.54	$3.12

Source: METRO (1987), pp. 39 & 49.

As these data indicate, the 2010 capital costs of the four systems studied ranged from a low of $1,610 million for the TSM alternative to $2,620 million for the GSR alternative. GSR, the alternative with the highest capital cost, was also projected to carry the most riders, 108.5 million in 2010; this was 11.2 percent more than the 97.6 million transit trips that METRO forecasters projected for TSM, the alternative with the lowest capital cost.

When the four alternatives are ranked by operating costs, the above rankings by capital costs are reversed; GSR has the lowest total operating costs in 2010 ($255 million) and total operating costs for the TSM and Busway alternatives were both 12.9 percent higher ($288 million) in the same year.

METRO's 1987 report also presents several measures of cost-effectiveness: all focus on operating costs. Using operating costs per revenue passenger trip as the measure of cost effectiveness, LRT narrowly bests GSR in 2010, although, using the same measure, it is considerably more expensive than GSR in 2000. Both are substantially more cost-effective by this measure than the TSM or Busway alternatives in both 2000 and 2010.

The last row in Table 1 contains estimates of total annualized cost per transit trip for each of the alternatives in 2000 and 2010. The METRO (1987) report does not calculate these figures; I computed them using a rule-of-thumb suggested by UMTA for such calculations (annualized capital costs are simply assumed to be 10 percent of capital costs). Planners and advocates of rail transit systems throughout the World seem to have an aversion to calculating or discussing the total costs (annualized capital costs plus annual operating costs) of their systems. In this case, however, when total annualized costs per trip is used, LRT emerges as the most cost-effective alternative in both 2000 and 2010.

While the METRO (1987) report does not present estimates of total annualized costs per transit trip, the report and the METRO staff nonetheless urged the board to select the LRT alternative, and to approve its construction. After noting that a number of technologies could be used to connect the regional transit centers and that several alternatives had been studied in detail, the authors of the report conclude "the Light Rail Alternative has been determined to offer the greatest benefits for the cost," and identifies several advantages of the Light Rail alternative under the headings: flexibility, affordability, appropriateness, and proven technology.

> Flexibility - Light Rail offers the possibility of expansion, incremental upgrading, and responsiveness to short- and long-term changes in the community, while giving a high level of service at the outset.
>
> Affordability - Light Rail makes possible significantly lower long-term operating costs than Busway or TSM, while costing far less for initial construction than Grade-Separated Rail.
>
> Appropriateness - Light Rail is particularly well suited to serve the Houston area's distinctive transit needs - lower density housing, higher density employment centers and limited right-of-way availability.
>
> Proven Technology - Light Rail is the overwhelming choice of North American and European cities which have recently built or upgraded rail transit systems. In fact, more than three-quarters of new rail starts in the past ten years have been light rail (METRO, 1987, p. 8).

The staff's recommendation was ultimately accepted by the Board and a somewhat modified Light Rail scheme was included in a revised service plan. Houston area voters "approved" this revised service plan in August 1988, and Mayor Whitmire, soon thereafter appointed Robert C. Lanier to the METRO Board.[*]

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[*] **Rail advocates in Houston, as elsewhere, place great emphasis on "voter mandates for rail" in justifying their commitment to costly and inappropriate rail plans. Yet the carefully worded 1988 referendum never mentioned rail. In addition, to gain voter support for the plan, METRO pledged 25 percent of its dedicated sales tax revenues to general mobility improvements (streets and roads) through the Year 2000, and restated its commitment to pay-as-you-go financing of capital projects. Construction of the proposed rail line, moreover, was made to depend on METRO receiving Federal and private sector funding for most of its cost. Lanier, who had previously opposed the rail plan, was instrumental in both developing the compromise plan submitted to the voters in METRO's service area, and in securing voter approval of the plan. The agreement to allocate 25 percent of METRO's sales**

Lanier was subsequently elected chairman, and METRO renewed its efforts to obtain UMTA approval of its Alternatives Analysis and its direct lobbying efforts to secure funding for the rail system connector from Congress.

As Lanier learned more about transit, about the forecasting procedures used by METRO, and about the experience of other cities, he became increasingly concerned about METRO's earlier decision to build the rail system connector. As his doubts grew, he became determined to have METRO carry out an exacting and "objective" reexamination the proposed scheme.* To assist him with this reexamination, Lanier created what came to be known as the Rail Research Project, and assembled a peer review group and a stable of new consultants, including a few who were on record as being skeptical about the merits of the rail system connector, of METRO's forecasting procedures, and of the AA process that had been used to justify building the rail system connector. He turned to TTI (Texas Transportation Institute) to manage the project.**

METRO's 1989 Rail Research Project

METRO's 1989 Rail Research Project, a searching reexamination of the proposed rail system connector, reached dramatically different conclusions about the scheme than METRO's earlier (1978) Alternatives Analysis.

One of the most important features of METRO's 1989 Rail Research Project was the development of a Best/Better Bus alternative by Kain (1989). This effort grew out of claims by Kain and other members of the peer review group that the TSM alternative used as the base case in the 1987 AA was a strawman designed to make the LRT and GSR alternatives included in that study appear more cost-effective than they actually were.

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tax revenues to street and road improvements was the key both to gaining Lanier's support and to passing the referendum.

* Lanier credits two federally funded studies of rail with causing him to reconsider his earlier decision to support construction of a rail system connector. The first of these was a CBO (1988) study, and the second was a study conducted for UMTA by Don Pickrell (1989). Lanier had secured a draft of the Pickrell study before its final publication in 1989. I first met Lanier when he invited me to Houston, so that he could grill me both about these studies and about one of my papers (Kain, 1988), which he had previously read.

** Lanier had worked closely with, and had come to respect, TTI when he served as Commissioner of Texas State Department of Highway and Transportation (SDHPT).

In addition to Best/Better Bus, the 1989 Rail Research Project also evaluated a Revised TSM alternative, Revised 12 and 20 mile GSR alternatives, and four additional "Best Rail" alternatives.[*] The Revised TSM and GSR alternatives incorporated a number of bus system improvements identified in the Best/Better Bus analysis.

Summary statistics for the three principal alternatives considered in METRO's Rail Research Project are shown in Table 2. In addition to adding a Best/Better Bus alternative, the study also provided alternative ridership forecasts. These competing forecasts, shown under the heading "CRA," were prepared by Charles River Associates (CRA) using its so-called Incremental Forecasting method. CRA was hired by the board because of questions raised by the Peer Review Group and others about the adequacy of METRO's forecasts and its forecasting model.

Inspection of the ridership numbers in Table 2 reveals that both the METRO and CRA travel forecasting models predicted more transit ridership in 2000 for Best/Better Bus than for Revised TSM, a finding that strongly supports the view that the TSM alternative included in the 1987 Alternatives Analysis was something of the strawman. If Best Bus ridership is compared to projected ridership for the original (1987) TSM alternative, the difference is even greater.[**]

A somewhat different result arises when Best/Better Bus is compared to GSR. According to the METRO forecast, GSR would carry 5.6 percent more riders in 2000 than Best/Better Bus. CRA forecasters, however, found that Best/Better Bus would carry 5.2 percent more riders than the far more costly GSR in 2000.

Almost all of the differences between the METRO and CRA ridership forecasts are attributable to the use of smaller transfer penalties in the METRO model than in the CRA model. It is worth noting that the Rail Research Project's Peer Review Group concluded that the transfer penalties used in the METRO forecasting model were too low and urged METRO staff to increase them. METRO staff refused. Commenting on the transfer penalty issue, the authors of the TTI report (1988a, p. VI-3 to VI-5) observe:

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[*] The METRO staff clearly initiated its Best Rail program as a competitive response to Best Bus. This effort resulted in the development and preliminary evaluation, as part of the Rail Research Project, of four additional rail alternatives. Forecasts prepared by CRA indicated that Best/Better Bus would carry more riders in 2000 than any of the Best Rail alternatives (TTI, 1989b). The METRO forecasting model was not used to forecast ridership for the Best Rail alternatives.

[**] Daily ridership for the TSM alternative used in the 1987 AA was projected to be 243,012 in 2000 as contrasted to 255,531 for the Revised TSM alternative prepared for the 1989 Rail Research Project. Projected daily ridership for the Revised TSM alternative was thus about 5 percent greater than projected daily ridership for the 1987 TSM alternative.

Table 2. Year 2000 Ridership and Cost for Alternatives Included
in Houston's 1989 Rail Research Study

Category	METRO			CRA		
	TSM	Best Bus	GSR−12	TSM	Best Bus	GSR−12
Revenue Passengers						
Daily (Thousands)	253.0	278.6	294.2	261.4	274.8	261.3
Annual (Millions)	81.0	89.2	94.1	83.6	87.9	83.6
Transfer Rate	0.49	0.44	0.68	NA	NA	NA
Annual Costs (Millions 1988 Dollars)						
Operating Cost (Millions)	$201	$206	$204	$201	$206	$204
Capital Cost (Millions)	$1,140	$1,306	$2,204	$1,140	$1,306	$2,204
Cost per Transit Trip (1988 Dollars)						
Operating Costs	$2.65	$2.46	$2.31	$2.56	$2.49	$2.60
Annualized Capital Costs	$1.50	$1.56	$2.50	$1.45	$1.58	$2.81
Total Annualized Costs	$4.15	$4.02	$4.81	$4.02	$4.08	$5.41

Notes: (1) Annual transit trips are assumed to equal average daily transit trips times 300;

(2) This table contains two independent sets of ridership forecasts. The first set labeled "METRO" was prepared by the METRO staff, while the second set labeled "CRA" was prepared by Charles River Associates using its so−called Incremental Forecast method.

Source: METRO (1987), pp. 39 & 49; Kain (1989).

> The need for frequent transfers is not a desirable feature of a transit system. The proposed Houston rail system connector results in a relatively high percentage of transfers.
>
> One reason that the transfer issue is important is that people do not like to have to wait for a vehicle. This time spent "out-of-vehicle" waiting for the transit transfer is onerous to the rider. As a consequence, a penalty is usually associated with that wait time when ridership is being estimated....
>
> ... the Metro model weights this out-of-vehicle time at 1.4 times the value of in-vehicle time for work trips. A general consensus existed among the national peer review group that the 1.4 penalty was too low; if anything, it represents the low end of the range of penalties that might appropriately be considered. A paper was prepared to address this issue ... the recommendation of that paper was to add between 6

and 8 minutes of penalty time per transfer, plus to weight out-of-vehicle time at 2.5 times in-vehicle time.

As Kain (1989a, p. 45) demonstrates, in a fairly crude sensitivity analysis of the METRO projections, adding eight minutes to the transfer penalties used in the METRO forecasting model, produces a Best/Better Bus projection of 2000 ridership that is 21.5 percent greater than GSR ridership for the same year. Adding a transfer penalty only half as large (four minutes) to the METRO model, moreover, still produces a Best/Better Bus 2000 ridership projection that is 5.1 percent larger than the ridership projection for GSR in 2000.

As Table 2 indicates, the GSR alternative has both higher projected operating and capital costs than the Best/Better Bus in 2000. When total annualized capital cost per trip is used as the cost-effectiveness measure, however, Best/Better Bus is more cost-effective than Revised TSM when the METRO ridership forecasts are used, but is slightly more expensive than Revised TSM when the CRA forecasts are used. Best Bus is projected to carry more transit riders than Revised TSM in 2000 under both forecasts.

Further analysis points to an even greater dominance by Best/Bette s. The Best/Better Bus alternative includes $161.8 million (in 1988 dollars) for a Westpark Transitway. Analyses by Kain (1989a) indicate this facility would have very little effect on transit ridership, and that neither projected increases in transit ridership or projected time savings for existing transit users are large enough to justify its construction. At the same time Kain (1989a) points out that benefits to carpool and vanpool users, which were not included in the analysis, might possibly justify building the project.

If the Westpark Transitway and the additional transit riders it attracts are netted out, the total annualized cost per trip of the Best/Better Bus alternative becomes less than the same figure for both Revised TSM and GSR, using either the METRO or CRA ridership forecasts. When the METRO projections are used, total annualized costs per transit trip are $3.88 (Best Bus), $4.15 (TSM), and $4.81 (GSR). When the CRA forecasts are used, total annualized costs are $3.94 per trip for Best Bus, $4.02 per trip for TSM, and $5.41 for GSR.

While the cost-effectiveness measures in Table 2 strongly point to the dominance of the Best/Better Bus alternative, relative to TSM or GSR, they, in fact, understate its superiority. For reasons discussed in Kain (1989a), it appears both METRO's and CRA's projections of rail ridership are too high.[*] In addition, Kain

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[*] Sensitivity analyses by Kain (1989a, pp. 53-61) suggest that both the METRO and CRA projections of 2000 GSR ridership might be reduced as much as 4.4 percent if more realistic rail speeds had been

(1989a) contends METRO inflated Best/Better Bus capital and operating costs.* Finally, Kain's (1989) limited two-three month effort to develop Best/Better Bus only scratched the surface in terms of exploring possible bus system improvements.

Developing Credible Alternatives

Development of the Best/Better Bus alternative grew out criticisms of METRO's TSM alternative by me and other members of the Peer Review Group. METRO staff, in defending the TSM alternative used in METRO's 1987 AA, argued that UMTA guidelines required that the characteristics of the alternatives considered should be as similar as possible. The staff's view is articulated in METRO's (1988, p. 6) "Final Operating Plan," which describes the alternatives included in METRO's 1987 AA. The authors of that report state, "the final principal used in designing the Final Operating Plan is that the service network should be as consistent as possible between the two build alternatives. This consistency is **necessary to ensure that the comparison between the alternatives is a fair one** (emphasis added)."

I argued that the position advanced by METRO staff was wrong and that the objective in designing the all-bus alternative should be to develop the best bus system possible (highest ridership), subject to a specified subsidy level. This "best" bus system, I suggested, should then be compared to the preferred rail alternative. Lanier and METRO's Board, were apparently somewhat persuaded by this line of argument, since they asked me to work with the METRO staff to develop a "Best Bus" alternative. "Best Bus" became "Better Bus" when, in making a progress report on the efforts to develop Best Bus at a subsequent board meeting, I commented on the modest nature of the Best Bus effort and suggested that Best Bus might be better thought of as Better Bus. METRO staff thereafter referred to Best Bus as Better Bus, although they continued to describe their efforts to develop better rail alterna-

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used, and by as much as 4.2 percent if more realistic rail frequencies had been assumed in preparing the forecasts.

* Analyses in Kain (1989a, pp. 94-99) suggest Best Bus operating costs may have been overstated by METRO analysts by as much as 11 percent. Reducing Best Bus operating costs by 11 percent, removing the Westpark Transitway from Best Bus, and adjusting the GSR forecasts of ridership in the manner suggested by the previous paragraph has a large impact on the estimates of total annualized cost for GSR and Best Bus. In the case of the METRO ridership forecasts, these adjustments increase the GSR costs per trip from $4.91 to $5.21, and reduce the Best Bus costs per trip from $4.02 to $3.61. When the CRA forecasts are used, the same adjustments increase the total annualized cost per trip from $5.41 to $5.95 per trip, and decrease Best Bus total annualized cost from $4.08 per trip to $3.66 per trip. TSM annualized costs per trip are unaffected by these adjustments; they remain $4.15 using the METRO 2000 ridership forecasts and $4.02 using the CRA ones.

tives as Best Rail. It could be argued that this difference reveals METRO's commitment to developing the two alternatives.[*]

Evaluating Alternative Fare Policies

While METRO's board agreed to consider alternative bus networks, i.e. Best Bus, I was never able to persuade them that they should also consider alternative fare policies. My position was that fares are a policy variable and that the all-bus alternative included in the evaluation should be the one that obtained the highest ridership possible, subject to a total annualized cost constraint. In Houston, as in many other cities with extensive underutilized transit networks, there is good reason to believe it may be cheaper to buy additional riders with lower fares than with further service expansions, whether the added service takes the form of rail investment or additional bus services.

To illustrate this point, I carried out an analysis of Atlanta's highly regarded rail rapid transit system (Kain, 1989b). This analysis indicated that if MARTA (Atlanta's transit authority) had simply kept real fares at their 1979 levels (instead of building the rail system), there would have been 6.4 percent more transit trips during 1980-88 than were actually recorded for the Atlanta system. The estimated cost of this option (lost fare revenues) would have been $200 million for the 1980-88 period. I found, moreover, that this revenue loss (cost) was only 57.7 percent of the debt service attributable to MARTA's decision to build its $2.7 billion dollar (1988 dollars) rail system. These comparisons, it should be noted, completely ignore (treat as free) the three-fourths of capital costs that were paid by the federal government.

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[*] METRO staff never warmed to Best Bus and were less than supportive in its development. As a result, Best/Better Bus ridership is probably considerably less than it would have been if METRO had been willing to allocate more resources to its development, or had been willing to implement a number of ideas proposed by Kain (1989a). In addition, the operating and capital cost estimates for Best Bus, which were prepared by METRO staff, were clearly too high (Kain, 1989a).

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Desirable Revisions in the Urban Transportation Act and Other Changes in Public Policy that Would Benefit Transit

Statement Prepared for the United States Senate,

Committee on Banking, Housing, and Urban Affairs

John F. Kain

Professor of Economics, and

Faculty Associate, Taubman Center for
State and Local Government

Harvard University

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Introduction

This is the third statement I have prepared in last six months for Senate Committees concerned with Mass Transportation and Highway Legislation. In December 1990 I prepared a statement, "Suggested Changes in the Urban Mass Transportation Act and Its Administration" for this committee, and in February 1991 I prepared a statement for the Water Resources, Transportation, and Infrastructure Subcommittee of the Senate Committee on Environment and Public Works (Kain, 1991).

The fact that highway and mass transportation legislation are the responsibilities of separate committees reflects an undesirable division of thinking and responsibility for what are inherently interdependent functional areas. It is an unfortunate consequence of this arrangement that those responsible for formulating and implementing highway policy have paid too little attention to transit, and those responsible for formulating and implementing transit policy have paid too little attention to highways.

According to UMTA's 1989 Section 15 report, there were 168,504 route miles of fixed route public transit services operating in United States urban areas in 1986. Of these 95.6 percent were operated on urban streets and highways and 95.5 percent were operated on mixed right-of-ways, i.e. on uncontrolled general purpose streets and roads.[*] Rail rapid transit accounted for only 0.8 percent of fixed route public transit right of ways, streetcars for 0.2 percent, and commuter rail systems for 2.8 percent of total route miles of fixed route transit in 1989.

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[*] Directional route miles are defined as "the mileage service operates in each direction over routes which public transportation vehicles travel while in revenue service. Directional route miles are a measure of the facility or roadway, not the service carried on the facility, i.e. number of routes or vehicle revenue miles. They are determined by direction of service, but not by the number of traffic lanes or rail tracks existing in a given right-of-way. If vehicles travel in only one direction, each mile is counted once. If vehicles travel in both directions, each mile is counted twice. A mile of single track over which streetcars operate in both directions represents two directional route miles. And a mile of exclusive busway on which a transit company operates six different routes in only a single direction represents one directional mile regardless of the number of lanes (Technology Applications, Inc., 1987, p. 3-7).

As the data in Table 1 reveal rail modes become somewhat more important when annual boardings and annual passengers miles are used to measure their significance. Even so, highway based transit modes (motor bus, trolley bus, and demand responsive transit) accounted for 78.6 percent of unlinked trips (boardings) and 65.6 percent of annual passenger miles of travel for all systems outside of New York City in 1989.

Perhaps the most serious error made by public transport planners and operators in the United States since the end of World War II has been devoting most of their energy towards, and betting most of their investment dollars on, planning and constructing costly and ineffectual new light and heavy rail systems, while largely ignoring far more cost-effective policies and investments that would improve the speed, performance, and reliability of bus transit. This is, I fear, because improving public transport services and increasing transit ridership have too frequently been minor considerations in decisions to build light and heavy rail systems.

Table 1. Transit Operating and Ridership Statistics, 1989

Mode and Operating Environment	Rail Rapid	Streetcar	Commuter Rail	Motor Bus	Trolley Bus	Demand Response	Other	Total
Total Service and Ridership								
Vehicle Miles (thousands)	513,055	20,517	190,224	1,500,981	13,943	154,652	8220	2,401,592
Train Miles (thousands)	80,847	17,532	35,310	1,500,981	13,943	154,652	8,220	1,811,484
Annual Unlinked Trips (millions)	2,542	161	330	4,839	130	37	45	8,083
Annual Passenger Miles (millions)	12,030	507	7,212	17,747	199	247	351.6	38,293
Vehicle Miles/Train Miles	6.3	1.2	5.4	1.0	1.0	1.0	1.0	1.3
Total–Without New York CTA, LIRR, MTNR, PATH								
Vehicle Miles (thousands)	187,671	20,517	90,433	1,406,298	13,943	154,652	8,220	1,881,735
Train Miles (thousands) est.	29,573	17,532	16,786	1,406,298	13,943	154,652	8,220)	1,647,005
Annual Unlinked Trips (millions)	779	161	176	4,085	130	37	45	5,413
Annual Passenger Miles (millions)	4,359	507	3,559	16,231	199	247	352	25,454
Shares/Total								
Vehicle Miles (thousands)	21.4%	0.9%	7.9%	62.5%	0.6%	6.4%	0.3%	100.0%
Train Miles (thousands)	4.5%	1.0%	1.9%	82.9%	0.8%	8.5%	0.5%	100.0%
Annual Unlinked Trips (millions)	31.4%	2.0%	4.1%	59.9%	1.6%	0.5%	0.6%	100.0%
Annual Passenger Miles (millions)	31.4%	1.3%	18.8%	46.3%	0.5%	0.6%	0.9%	100.0%
Shares Without New York								
Vehicle Miles (thousands)	10.0%	1.1%	4.8%	74.7%	0.7%	8.2%	0.4%	100.0%
Train Miles (thousands), est.	1.8%	1.1%	1.0%	85.4%	0.8%	9.4%	0.5%	100.0%
Annual Unlinked Trips (millions)	14.4%	3.0%	3.3%	75.5%	2.4%	0.7%	0.8%	100.0%
Annual Passenger Miles (millions)	17.1%	2.0%	14.0%	63.8%	0.8%	1.0%	1.4%	100.0%

Source: Fuarell, Marvin and T. N. Black, "National Urban Mass Transportation Statistics, 1989 Section 15 Annual Report," UMTA–IT–06–0352–90–1, November, 1990.

As I observed in the February 7, 1991 statement I prepared for the Water Resources, Transportation, and Infrastructure Subcommittee of the Senate Committee on Environment and Public Works, it is an unfortunate fact that transportation objectives appear to have little or nothing to do with the persistent interest in building rail systems in small and low density metropolitan areas in the United States.

The availability of federal discretionary capital grants for transit, the so-called new rail starts program, has encouraged regional transit authorities (governments) to plan and build costly rail transit systems that, at best, do little to increase transit ridership, and, at worst lead to actual declines (CBO, 1988; Kain, 1988 and 1990).

While advocates of inappropriate rail systems frequently try to justify them in terms of increased transit ridership, reductions in air pollution, reductions in highway congestion, and similar quantifiable benefits, it is clear that these "transportation" objectives have little or nothing to do with the persistent interest in building inappropriate rail systems in small and low density metropolitan areas.

It is easy to demonstrate that, in these situations, increases in transit use, as well as the various indirect benefits that are related to ridership increases, could be achieved at far lower cost by using other transport investments and policies. The disinterest of rail advocates in such calculations demonstrates that these "transportation" benefits have little to do with the enthusiasm for building rail systems in many small and low density metropolitan areas. Some advocates of these systems want to build rail because they will benefit directly from its construction (equipment suppliers and consultants) or indirectly through anticipated increases in property values. Still others advocate building a rail system as a way of improving the image of Dallas, Phoenix, Houston, Minneapolis-St. Paul, etc., and because "it is impossible to be a world class city without rail."

Federal capital grants that reduce the local cost of building these systems makes it easier for advocates to persuade local taxpayers to support their efforts. The availability of these grants allows them to claim that the projects are "free" (paid for by the Federal government) and provide large benefits to the local area in the form of jobs and higher local tax revenues. These "local" benefits, of course, do not exist from the vantage point of the nation as a whole.

There is no national purpose that I can perceive that justifies spending either funds earmarked for transit or general revenues on these costly efforts to make a growing list of small and/or low density metropolitan areas/cities feel good about themselves. At minimum, such expenditures, if they have no valid transportation purpose, as most do not, should have to compete for resources with other "image building" investments and should generally be funded locally. Funding them under the guise of transportation improvements is wasteful, and discourages these areas from dealing seriously with their transportation problems.

In my December 1, 1990 statement for this committee, which is attached, I recommended sharply curtailing and modifying, or better yet, entirely eliminating, federal discretionary capital grants for transit. If the federal capital grant program is retained, which I expect it will be, the federal share should be limited to 50 percent of total project cost, and preferably less. The matching of federal contributions by local governments and transit authorities, moreover, should be made project specific.[*]

To eliminate the rampant abuses that currently characterize the transit capital grant program and to encourage transit authorities to choose more cost-effective policies and investments, I urged this committee to replace the existing transit operating and capital grant programs with a single annual grant. My December 1 statement discusses criteria that might be used to allocate these bloc grants among transit providers.

If the federal transit capital grants program is retained, which I fear it will be, there is a pressing need to strengthen UMTA's alternatives analysis and oversight procedures, and for Congress to discontinue its practice of mandating individual projects, i.e. its current practice of making allocations to specific cities/projects. These questions are discussed in my December 1, 1990 statement.

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[*] Practices such as UMTA has allowed for the Dallas Area Rapid Transit (DART) system should be disallowed. UMTA has apparently agreed to allow DART to count the projected expenditures for its North Central Line in computing the so-called overmatch for its proposed Oak Cliff Line. While the Oak Cliff Line is subject to the UMTA Alternatives Analysis process, the North Central Line, which would be paid for entirely from DART funds (local sales tax receipts) is not. No Alternatives Analysis has been completed for the North Central Line. If such an analysis were carried out, however, it is clear the resulting UMTA cost-effectiveness index for the line would be far in excess of UMTA's guidelines.

The most important measures that could be implemented to improve transit speeds, reliability, and thus ridership would be those that would reduce peak period congestion levels on the nearly 162,000 miles of urban roads and streets that are currently used by fixed route transit vehicles and measures that would protect transit vehicles from this congestion or permit them to bypass it entirely.

My February 7, 1991 testimony before the Water Resources, Transportation, and Infrastructure Subcommittee on the highway bill contains several recommendations that would result in large and immediate improvements in transit speeds and reliability, and would sharply boost transit ridership. These policy recommendations, which are presented below, are just as, if not more, relevant for public transport policy as they are for highway policy.

Proposals for Public Policy

The most serious problem confronting public transit in cities throughout the world is the allocation of too little street space to road based public transport during peak periods in congested areas. This situation arises from the gross mispricing of roads and streets in congested areas during peak hours. As I observed in my February 7th statement on the highway bill, 90 percent of the urban transportation problem (and congestion) is caused by gross mispricing of perhaps five percent of the nation's highway capacity.

The solution economists most often propose to correct this mispricing, and to reduce congestion to optimal levels, is the implementation of sophisticated road pricing schemes in which vehicle drivers would be charged finely graduated tolls that vary by time of day and location. While I have no problem with the economic rationale for such schemes, I have, nonetheless, been something of a skeptic about their actual use.

In addition to questions of political acceptability, I have had two principal kinds of concerns about sophisticated road pricing schemes. First, there are likely to be sizeable costs associated with implementing them. Keeping in mind my observation that 90 percent of the urban transportation problem (and congestion) is caused by gross underpricing of perhaps five percent of urban and highway capacity, it has long seemed to me that most of the benefits that would accrue from implementing a sophisticated marginal cost pricing scheme could be obtained from much less costly measures that are targeted to this five percent or so of roadway capacity. These measures would include surcharges on CBD parking and on parking in other congested centers, area licenses, and traffic engineering measures and street and highway designs that would give priority to, or allocate more road space to, buses, carpools, and other efficient users of road space (Kain, 1990b; Kain and Fauth, 1979).

At the same time, continuing advances in technology and decreases in the cost of equipment that might be used for a sophisticated road pricing scheme are such that the time may have arrived to seriously consider more sophisticated road pricing schemes. While I am not prepared to recommend implementation of such a system at this time, I would urge this committee to instruct the Department of Transportation to significantly increase their research on road pricing, and to encourage local governments to develop demonstration programs that would determine the responses of vehicle users and other groups to various forms of road pricing.

In the remainder of this statement, I discuss several policies that would work in the same direction as a sophisticated road pricing system, would reduce the distortions created by the current mispricing of roads and streets, and would increase transit use.

Sharply increase gas taxes. While gas taxes are a very imperfect way of charging for road use, there are strong arguments for sharply increasing them. Most of the impact of higher gas prices would be felt in greater fuel efficiency; even so, they would reduce trip lengths and total vehicle miles of travel somewhat, and would lead to some increase in carpool and transit mode splits (Kain, 1985). The best available estimates suggest that a one percent increase in real gasoline prices would increase transit ridership by about two-tenths of one percent. Increases in gas prices would, of course, result in increases in carpooling as well.

Even without considering the beneficial effects higher gasoline taxes and prices would have on urban travel, there are strong arguments for sharply increasing gasoline taxes. The Gulf War is a vivid reminder of the gains in national security that would accrue to the nation from a reduction in petroleum use and imports. A huge trade deficit and a growing foreign indebtedness, moreover, ranks among the nation's most serious and difficult economic problems; unnecessarily large petroleum imports are a major contributor to this deficit.

problems and environmental consequences. The nation is unlikely to meet its repeatedly proclaimed goals of utilizing its transportation investments more efficiently, improving urban air quality, and reducing it dependence on non-renewable resources -- all which depend partly on substituting carpool and transit travel for driving alone -- as long as much parking continues to be supplied free of charge to commuters (Pickrell, 1990).

Encourage greater use of tolls and bus/carpool priority on bridges, tunnels, and other choke points. Costly water crossings channel traffic and provide opportunities to manage the urban street and road networks. The New York metropolitan area, the San Francisco-Oakland Bay Area, and Vancouver have implemented a variety of preferential toll, HOV facilities, and simple queue jumpers at the approaches to their bridges and tunnels that connect their central areas to the rest of the region. These measures, described in Kain (1990b, Chapters 2-4), have enjoyed considerable success in inducing higher levels of transit use and carpooling but have far wider applicability.

While I am uncertain of just what form legislation might take, efforts should be made to devise incentives that would encourage state and local authorities to exploit these and similar opportunities to manage their road systems, and to reduce congestion by giving priority to more efficient road users (buses and carpools). At minimum, Federal legislation should be carefully scrutinized to insure that there are no Federal legislative barriers to implementing such measures.

Provide funding for retrofitting existing urban toll roads for transit use and encourage toll road operators to implement toll schemes that encourage car pool and transit use. At least two cities, Dallas and Boston, currently have urban toll roads that serve their central areas, and others are considering such facilities. While these facilities are currently used by some bus services, fairly low-cost modifications (the provision of bus-only slip ramps, etc.) might increase their potential as bus rapid transit facilities considerably.

While there are undoubtedly both technical and legal obstacles to such modifications, the first step would be to carry-out feasibility and benefit-cost analyses. If, as I suspect, such modifications would be a cost-effective way of increasing transit use, these capital improvements should be made eligible for either federal highway or mass transit funding, or both.

Federal legislation and policy should also encourage toll road authorities to introduce preferential tolls for carpools and buses, and, where queues exist at toll booths, to provide bus and carpool bypass lanes. Toll road authorities should also be encouraged to modify their toll schedules to encourage off-peak travel and greater bus and carpool use during peak hours. Fairly serious congestion is beginning to develop on both the Dallas and Boston toll roads during peak periods. The toll road authorities in both metropolitan areas should be encouraged to raise peak period tolls for low occupancy vehicles and to provide preferential peak period tolls and other incentives to buses and carpools.

Provide incentives for the construction of bus-carpool HOV (High Occupancy Vehicle) facilities as part of both new highway construction and the reconstruction of existing facilities. The growing experience with transitways, commuter lanes, and other bus-HOV facilities demonstrates the cost-effectiveness of such facilities Kain (1990b). As Table 2 indicates, when construction cost per round trip is used to measure of cost-effectiveness, the per trip costs for the El Monte Busway, Shirley Highway, and Houston Transitways are between 10 and 27 percent as large as those of the four federally funded light rail systems studied by

Table 2. Facility Length, Daily Ridership, Construction Costs, and Cost Per Per Round Trip for Transitways, Commuter Lanes, Exclusive Busways, and Light and Heavy Rail Systems

		Daily Person Trips		Construction Costs (millions 1986 $'s)		Construction Cost/ Round Trip		Percent
Facility	Miles	Transit	Total	Total	Mile	Transit	Total	of LRT
Transitways								
El Monte Busway	11.0	13,221	43,000	$108.3	$9.8	$16,379	$5,036	13.2%
Shirley Highway	12.0	28,140	63,486	$122.9	$10.2	$8,736	$3,872	10.1%
Houston Transitways	36.6	21,479	42,420	$221.2	$6.0	$20,597	$10,429	27.2%
Commuter Lanes								
I-95, N. Va.	6.0	5,670	27,630	$5.6	$0.9	$1,975	$405	1.1%
Rte 91 S. Cal.	8.0	NA	19,102	$0.2	$0.03	NA	$21	0.1%
Exclusive Busways								
Ottawa	12.8	200,000	200,000	$388.0	$30.3	$3,880	$3,880	10.1%
Pittsburgh	10.8	47,000	47,000	$174.1	$16.1	$7,410	$7,410	19.3%
New Rail Systems								
Avg Heavy Rail	29.0	168,500	168,500	$3,329.5	$114.9	$39,519	$39,519	103.2%
Avg Light Rail	12.6	23,475	23,475	$449.5	$35.7	$36,296	$36,296	100.0%

Source: Table 17-2 of this report.

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of the four federally funded light rail systems studied by Pickrell (1990).[*] Use of more recent ridership data for Houston, moreover, would result in comparisons that are even more favorable to transitways.[**]

Once again, I will leave it to others to suggest the precise form these incentives might take. State and local authorities, however, should be allowed/encouraged to use either federal highway or transit funds to construct transitway, bus/carpool lanes and other HOV facilities. In addition, if the federal discretionary capital grant program for transit is retained, Congress and UMTA should permit/encourage authorities that have been given commitments under this program to use them for either rail construction or for the construction of more cost-effective exclusive busways or transitways, as long as the benefits to transit users and/or carpools are sufficient to justify building the project.

While such transitways, busways, and bus-carpool lanes appear to be eligible for new-starts funding, their eligibility should be emphasized. Authorities in Houston, at least, appear to be doubtful about whether the $155 million in rail starts money that has been earmarked for Houston's proposed rail system could be used to build busways or transitways, if subsequent analyses demonstrate the superiority of these alternatives (Kain, 1990d). Whatever the reasons or the reality, it is widely believed in Houston that the earmarked funds can only be used to build rail.

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[*] The Executive Summary for Kain (1990b) is included as an attachment to this statement.

[**] The Houston figures in Table 1 include ridership and cost data for two partially completed transitways. In addition, the North Transitway, which did not allow carpools at the time Table 1 was prepared, has subsequently been opened to carpools. The decision to allow carpools increased daily person trip use of the North Transitway by 15.3 percent.

Use of the other transitways has increased by even larger amounts. The most recent ridership figures available to the author indicate that Houston's transitways carried 54,629 person per day during July 1990, an increase of 28.8 percent over the figures shown in Table 1. The impact of this ridership growth on the cost-effectiveness figures shown in Table 1 is not readily apparent, however. The capital cost figures used in calculating the cost effectiveness measures in Table 1 included only operational segments. Part of the ridership growth may be attributable to the completion of additional segments, and there were some capital costs associated with the retrofitting the North Transitway for carpool use.

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Increasing the Productivity of the Nation's Urban Transportation Infrastructure: Measures to Increase Transit Use and Carpooling:

An Executive Summary

This report surveys the growing use of bus and carpool priority measures to increase the productivity of the nation's transportation infrastructure. While it identifies a wide variety of priority measures, the report principally focuses on the planning and operation of exclusive and shared busways and high occupancy vehicle (HOV) facilities.

Chapters 3-12 present detailed case studies describing the implementation of exclusive busways, transitways, and other bus and carpool priority schemes in seven North American metropolitan areas (New York, San Francisco-Oakland, Ottawa-Carleton, Pittsburgh, Washington, D.C., Los Angeles-Long Beach-Orange County, and Houston). Chapter 2 provides less extensive evaluations of schemes implemented in other areas. Chapters 16 and 17 compare the cost-effectiveness of exclusive busways and bus-HOV facilities with the cost-effectiveness of recently completed light and heavy rail lines. Finally, Chapters 13-15 consider the problems of serving large downtown areas, something that many observers view as the Achilles heel of all-bus systems.

Exploiting Water Barriers

This survey of operational bus-carpool priority schemes demonstrates once again that necessity is the mother of invention. Some of the earliest, and still most effective, bus and carpool priority schemes were implemented at bridge and tunnel approaches in the New York, San Francisco-Oakland, and Vancouver metropolitan areas, where the prohibitive expense of providing additional water crossings prompted transport planners to consider innovative and low capital cost ways of increasing the passenger capacity of these critical facilities. As we discuss in the body of the report, these measures include both toll exemptions and discounts for buses and or carpools, and short queue jumpers that allow buses to bypass the heavy congestion that invariably occurs at the approaches to these facilities.

The New York metropolitan area has the most extensive facilities of this kind; six bus-carpool priority schemes serve 121,000 daily bus commuters to Manhattan during the three hour morning peak period. The most important of these, the four mile long XBL contra-flow-Lincoln Tunnel scheme, currently accommodates about 1,900 inbound buses and 69,000 inbound bus person trips per day.

Cost Effectiveness

Chapters 16 and 17 of the report provide strong confirmation of the findings of earlier scholarly studies of the comparative costs of alternative high performance transit modes. They demonstrate that exclusive busways generally have lower capital and operating costs than light or heavy rail systems and provide comparable or better levels of service.

The problem with both busways and light and heavy rail systems in most applications in North America is that existing levels of transit demand require only a small fraction of available right-of-way capacity. Nothing can be done about this problem in the case of rail systems, but high performance bus systems can often be designed to allow buses to share this excess capacity with other users, typically carpools and vanpools.

Both the El Monte Busway and the Shirley Highway operated for several years as exclusive busways. They were finally converted to bus-vanpool-carpool facilities when it became apparent that the numbers of buses required to serve existing and likely future transit riders required only a small fraction of busway capacity. Buses currently use less than 10 percent of the capacity of the Shirley Highway's two HOV lanes during peak hours; making the remaining unused capacity available to carpools and vanpools enables these lanes able to accommodate 2.2 times as many person trips per day as if only buses were allowed to use them.

Table ES-1 provides summary cost effectiveness measures for the El Monte Busway and the Shirley Highway, for operational segments of Houston's approved 95 mile transitway system, for commuter/diamond lanes in Virginia and California, for Ottawa's and Pittsburgh's exclusive busways, and for the recently completed light and heavy rail systems studied by Pickrell (1989).

Capital costs per daily transit round trip in 1989 dollars for the El Monte Busway and Shirley Highway HOV lanes are $16,260 and $8,868 respectively, as compared to $3,995 and

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Source: Table 17–2 of this report.

$7,470 for Ottawa's and Pittsburgh's exclusive busways. Including carpools and vanpools in the denominator reduces the average daily per round trip costs for the bus-HOV facilities by a large amount. At $4,999 and $3,931, the capital costs per total (buses plus carpools and vanpools) daily round trip of the El Monte Busway and the Shirley Highway HOV lanes are significantly less than the $7,470 per round trip capital cost of Pittsburgh's exclusive busways and close to the $3,995 per round trip capital cost attained by Ottawa's innovative exclusive busways.

The last (shaded) column in Table ES-1 reveals that the per round trip capital costs of the Ottawa and Pittsburgh exclusive busways are only 10.1 percent and 19.1 percent as large as those of the four recently completed light rail transit (LRT) systems studied by Pickrell (1989). Similarly, per round trip capital costs as a fraction of LRT costs for the three transitways shown in Table ES-1 vary from 10.1 percent in the case of the Shirley Highway to 27.2 percent for Houston's 36.6 miles of operational transitways. Use of the Houston transitways is expected to increase substantially as uncompleted segments the Gulf and Northwest Transitways are opened. Somewhat surprisingly, the average per daily round trip capital costs in 1989 dollars of the eight light and heavy rail systems studied by Pickrell (1989), i.e. $39,038 and $40,285, differ by less than four percent.

What are variously referred to as commuter or diamond lanes fare even better when capital costs per daily round trip are used to measure cost-effectiveness. The incremental capital costs in 1989 dollars of the two commuter/diamond lane facilities shown in Table ES-1 are $413 per round trip for the I-95 diamond lanes in Northern Virginia and $23 per round trip for Southern California's Route 55 commuter lane.

As we discuss in Chapter 17, the critical term here is "incremental." Commuter/diamond lanes are primarily carpool lanes and serve relatively few transit trips; they are usually considered temporary facilities and plans frequently exist to replace them with more costly, physically segregated transitways at some future date. Commuter/diamond lanes, which are usually carved out of existing freeway right-of-ways by narrowing lanes, by eliminating or narrowing the medians and inside shoulders, and by similar measures, cost very little to build. The cost of providing these facilities consists principally of the opportunity costs of not using them as a general traffic lanes, and the adverse impacts on capacity, safety, and aesthetics of reducing original freeway design standards.

The Problems of Downtown Distribution

The problems of serving the CBDs of large cities are widely viewed as the Achilles heel of all bus systems, and the supposed inability of all bus systems to accommodate projected levels of transit use is a frequent justification for making the large capital expenditures required to build new light and heavy rail systems. Analyses included in this report demonstrate that while buses carry a large fraction of peak period person trips in the CBDs of large cities, they use relatively little CBD street space. Even the small amounts of street space used by buses, moreover, can be reduced by inexpensive changes in bus operations and by providing off-street bus facilities.

If further reductions in the bus use of CBD streets are desired, downtown people movers and bus tunnels can be used to augment CBD street space and to improve circulation within downtown. While these solutions are less expensive than building an entire regional rail system, they are by no means cheap.

Built at costs of $178 million and $219 million (1989 dollars), recently completed downtown people movers in Miami and Detroit have been a disappointment to their supporters. They are currently carrying only about 11,000 riders a day each, and very few of these users are commuters

Bus tunnels are even more expensive. Seattle spent $371.8 million (1989 dollars) to build a 1.3 mile L shaped CBD bus tunnel. Ottawa, which is seriously considering building a CBD bus tunnel to replace the at-grade bus lanes that currently serve as the downtown link of its innovative exclusive busway system, estimates that the construction cost of its proposed bus tunnel will be similar to that of Seattle's bus tunnel.

Seattle's bus tunnel will not eliminate all buses from the CBDs surface streets anymore than building a light or heavy rail system would. The project's Final EIS found that the number of buses using CBD surface streets in 1990 would be 642 if the tunnel was built as contrasted to 488 if a transit mall was built instead.

Since the estimated construction costs for Seattle bus tunnel were $259.4 million (1989 dollars) greater than the estimated costs of a mall similar to Portland's operational transit mall, Seattle is spending about $1.7 million (1989 dollars) per bus for each of the 154 buses the tunnel would remove from the city's CBD streets in 1990. The capital cost per bus removed from downtown streets would be even greater if the projected capital costs of Seattle Non-Intercept Mall alternative, which seem high, are overstated.

Seattle's bus tunnel, which increasingly looks like a Trojan Horse for a coveted LRT system, will be equipped with tracks before it opens, even though there currently exists no "approved" rail plan for the region.

Senator CRANSTON. Jessica?

STATEMENT OF JESSICA MATTHEWS, VICE PRESIDENT, WORLD RESOURCES INSTITUTE, WASHINGTON, DC

Ms. MATTHEWS. I wanted, Mr. Chairman, to directly address Senator Sarbanes' earlier question, because I think it is the central one.

I think everybody agrees that we are underinvested in transportation as a nation, but I think we are also in a kind of an unhappy period in the country's life cycle where we have decided as a national group that we are unwilling to invest in public investments, or to pay for public investments to the extent we would like them provided.

Senator SARBANES. Well, not all of us subscribe to that proposition.

Ms. MATTHEWS. I, as an individual.

Senator SARBANES. There are some of us who think that this failure to make these public investments is going to undercut the vitality of the American economy in the future and undercut our ability to compete internationally, and I am one of those who feels that very strongly.

Ms. MATTHEWS. So do I.

Senator SARBANES. I think we are selling out our future prosperity and competitive ability.

And one of the places where we are falling short is the failure to make the public investments that are an essential part of interacting with the private economy in order to move the country forward.

You cannot talk about—if you have got a truck sitting in a traffic jam for 4 hours, that comes right out of the productivity of your company, does it not?

Ms. MATTHEWS. I absolutely agree with you.

I was only part way through the sentence.

Individually, I could not agree with you more.

What I was trying to say was I think that the reality is that, at least until we have a President willing to say what you just said, that you all are going to be working under evertighter constraints in terms of the available money.

The question that you posed: Is there something that we can do that makes a real difference that does not cost more? I think the answer is yes.

But I wanted to begin by saying that I agree that we need more money.

It is just, I think, not going to be there for awhile.

We have heard, I think, the elements today of several of those things that do not cost more.

One of them is the need for better planning. And, a tripling of planning at the metropolitan level for example only amounts to an additional 1 percent of the total apportionments.

Second is moving the power closer to the local and regional governments who have the responsibilities under the Clean Air Act and other laws, and also are more accountable to local needs.

The third is removing the subsidies.

I agree with Mr. Kain that the parking subsidy, which directly is a $5 billion drain on the Treasury, probably costs us 10 times that in congestion, in environmental costs, that we are paying for out of another pocket.

The fourth is of course rearranging allocations within the given total that you have available, even within the administration's total, a shift in the way that money is allocated, making the Federal share equal for all modes and other things that have been talked about will make an enormous difference.

And finally, instead of basing allocations on a VMT formula which encourages this terrible construction/congestion cycle that we are in, to turn that on its head and base them on incentives for reducing VMT.

There is I think a window of opportunity this year, when finally a whole number of interests that have not paid very much attention to transportation before can see that the country's transportation needs block achievement of a whole number of other national goals to which people are paying more attention, namely, Federal energy policies; environmental policy; liveable neighborhoods.

None of these things can be achieved if we continue the 50-year record that we have had of simply building highways and starving transit, and of building in both explicit and rather hidden subsidies that encourage people to drive alone to work.

So my answer, and I think it is probably shared around this table to some extent, to your question of is there something important we can do within these fiscal constraints this year, is an emphatic "yes."

Mr. GUNN. Mr. Chairman?

Senator CRANSTON. David Gunn.

STATEMENT OF DAVID GUNN, GENERAL MANAGER, WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY, WASHINGTON, DC

Mr. GUNN. Yes, sir. I would like to comment about the professor's remarks.

I am not going to get into a discussion of his statement about waste in the New Starts Program for a variety of reasons, but I think they are obvious.

Professor KAIN. Is this because you agree the New Starts Program is wasteful?

Mr. GUNN. No, no. [Laughter.]

I do think that he has raised a very valid point.

If you look at the transit business, we are dependent in part on fighting for funds which the Federal Government and local governments may come up with in the form of subsidies, or capital grants. But we are also a business in the sense that we generate revenues ourselves.

If you change the economic marketplace in which we function through some of the devices that the professor talked about, or land use planning such as—it is Frank, is it?——

Mr. FRANCOIS. Yes.

Mr. GUNN [continuing]. Such as Frank mentioned, it has a dramatic impact on our ability to generate cash ourselves.

I do not know what your operating ratio is in your area, but on our Metrorail system we recover from the fare box 81 percent of the costs of operating that system. This does not include capital costs, but——

Mayor RUBACH. We do not have a system——

Mr. GUNN. Right.

Mayor RUBACH [continuing]. And Professor Kain's comments were used in the defeat of the Valtrans by the opponents.

Mr. GUNN. That is why I do not want to get into it.

But the point that I am making is that you do not have two mutually exclusive points of view, I do not think.

I think what he says, from a transit manager's point of view where a transit system is in place, if the marketplace is changed somewhat it allows us to fund more of our needs. That is my only point.

It should not be an either/or situation. We still need the funding for construction, operating and capital costs.

I am not saying we do not need that. But you do have the ability to make some changes which can generate some funding in the marketplace, which is most welcome. I was amazed when I got here.

Eighty-one percent is a pretty high operating ratio.

Mr. FRANCOIS. Mr. Chairman?

Senator SARBANES. You are a mass transit operator, reputed to be one of the best.

I do not think you ought to allow the "waste" comments simply to pass on the record.

Mr. GUNN. All right.

Senator SARBANES. Why do you not comment on that?

Mr. FRANCOIS. I certainly am not going to. [Laughter.]

Mr. GUNN. Well, first of all——

Senator SARBANES. I mean, if you do not defend your own profession, who is going to defend it?

Mr. GUNN. I will do that.

In discussing the need for capital funding for transit and highways, one of the problems is that if our systems were in a state of good repair today, that would be one thing, but they are not.

What has happened—at least I know the transit industry, and I know about highways in many areas is that we have paid for a lot of social programs by deferring maintenance on our capital assets.

And the need for capital is exaggerated by the need to try to repair the damage of underinvestment. In Washington fortunately we have not reached the point where we have deferred maintenance on the Metrorail system.

But if you look at some of the other systems where I have worked, Philadelphia, or New York, I mean they have billions of dollars of needs to get back to the point where they are functional.

In New York City, we ran trains over some highway bridges and paid quite a bit of attention to them. New York has massive needs just to get their infrastructure back into a state of good repair.

You have to be very careful when you talk about capital programming whether you are talking about rehabilitation or a new start. In transit there really are not that many new starts.

The bulk of the transit money has gone into trying to restore existing systems.

And capital funding is inadequate. Current funding is totally inadequate to deal with the problems that you have in the places like Philadelphia and New York.

We are going to have major needs to keep the Metrorail system in a state of good repair. Our capital needs will start growing over the next 5 years.

I was trying to pick out of what the professor said something with which I agree.

I do agree that if you change the economic playing field, including land use planning, it has a dramatic impact on reducing our needs for operating subsidies in the long run.

It does not happen overnight, but you can produce a more viable transit operation.

On the need for capital, we are at a point now where the transit industry is trying to catch up because there has been massive, massive deferrals of investment. I would not say there has been deferred maintenance on Washington Metrorail.

I think you will agree that there has been deferred maintenance on much of our highway system.

[The complete prepared statement of David Gunn follows:]

GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE. I AM DAVID L. GUNN, GENERAL MANAGER OF THE WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY. THE AUTHORITY IS PLEASED TO HAVE THE OPPORTUNITY TO PRESENT IT'S VIEWS ON THE REAUTHORIZATION OF THE URBAN MASS TRANSPORTATION ACT.

HISTORY AND CURRENT STATUS OF METRO

THE WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY OPERATES THE REGIONAL BUS AND RAIL SYSTEM SERVING THE NATIONAL CAPITAL AREA. THE AUTHORITY WAS CREATED BY THE CONGRESS, THE STATE OF MARYLAND, THE DISTRICT OF COLUMBIA, AND THE COMMONWEALTH OF VIRGINIA IN 1967 FOR THE PURPOSE OF BUILDING A RAPID TRANSIT SYSTEM FOR THE NATION'S CAPITAL. FOR THE PAST QUARTER OF A CENTURY, THE FEDERAL GOVERNMENT, THE AUTHORITY, AND STATE AND LOCAL GOVERNMENTS IN THIS REGION HAVE BEEN PARTNERS IN BUILDING AND OPERATING THE METRORAIL SYSTEM.

THE AUTHORITY BEGAN METROBUS OPERATIONS IN 1973 WITH THE FORMIDABLE TASK OF INTEGRATING FOUR SEPARATE ROUTE NETWORKS INTO A UNIFIED REGIONAL SYSTEM THAT WAS MODERN AND EFFICIENT. IN 1976, WHEN THE FIRST METRORAIL LINE OPENED, THE AUTHORITY EXTENDED THAT INTEGRATION TO CREATE A SINGLE BUS AND RAIL PUBLIC TRANSIT SYSTEM.

TODAY, THE AUTHORITY OPERATES 63 STATIONS AND 73 MILES OF RAIL SERVICE. WE HAVE A BUS FLEET OF 1600 VEHICLES WHICH TRAVEL 52 MILLION MILES EACH YEAR. OUR COST RECOVERY RATIO PROJECTED FOR FISCAL YEAR 1992 IS 78% FOR METRORAIL, 33% FOR METROBUS, AND [illegible]% FOR THE SYSTEM.

METRO SERVES THE 3.5 MILLION RESIDENTS OF THIS REGION, A LARGE FEDERAL WORKFORCE, AND MANY OF THE 17 MILLION ANNUAL VISITORS TO THE NATIONAL CAPITAL REGION. ON THE COMBINED METROBUS AND METRORAIL

SYSTEM, PASSENGERS MAKE APPROXIMATELY A MILLION TRIPS EACH DAY. WE ESTIMATE THAT WE REMOVE 600,000 CARS FROM THE ROAD EACH DAY. THAT TRANSLATES INTO AN ANNUAL SAVINGS OF 100 MILLION GALLONS OF GAS.

FUTURE OF THE METRO SYSTEM

WE CURRENTLY HAVE 16 MILES OF RAIL CONSTRUCTION UNDERWAY. THIS CONSTRUCTION WILL BE COMPLETED BY THE END OF 1993, AT WHICH TIME WE WILL HAVE 89.5 MILES OF THE PLANNED 103 MILE SYSTEM IN OPERATION. FUNDING FOR THE 16 MILES UNDER CONSTRUCTION IS AUTHORIZED IN THE NATIONAL CAPITAL TRANSPORTATION AMENDMENTS OF 1979.

WE ARE VERY PLEASED THAT IN NOVEMBER OF 1990 PRESIDENT BUSH SIGNED INTO LAW THE NATIONAL CAPITAL TRANSPORTATION AMENDMENTS OF 1990, AUTHORIZING $1.3 BILLION TO CONSTRUCT MUCH OF THE REMAINING 13.5 MILES OF 103 MILE SYSTEM. WE WANT TO TAKE THIS OPPORTUNITY TO

THANK THE CONGRESS FOR REAFFIRMING THROUGH THE PASSAGE OF THIS BILL THE FEDERAL COMMITMENT TO COMPLETION OF THE ENTIRE 103 MILE METRORAIL SYSTEM. WE ALSO VERY MUCH APPRECIATE THE ADMINISTRATION'S WILLINGNESS TO REACH AGREEMENT WITH THE REGION ON THIS LEGISLATION.

THE METRO REAUTHORIZATION WAS STRONGLY SUPPORTED BY THE AMERICAN PUBLIC TRANSIT ASSOCIATION AND THE TRANSIT INDUSTRY IN GENERAL. THIS REGION RECOGNIZES AND ADVOCATES SUPPORT FOR THE IMPORTANT PUBLIC TRANSPORTATION NEEDS OF URBAN AND SUBURBAN AREAS THROUGHOUT OUR COUNTRY, INCLUDING THE CONSTRUCTION OF ADDITIONAL RAIL SYSTEMS AND THE EXTENSION OF EXISTING ONES.

REAUTHORIZATION OF THE URBAN MASS TRANSPORTATION ACT

THE AUTHORITY FULLY SUPPORTS THE POSITIONS AND PROPOSALS OF THE AMERICAN PUBLIC TRANSIT ASSOCIATION ON THE REAUTHORIZATION OF THE URBAN MASS TRANSPORTATION ACT. THE SUCCESSES WHICH HAVE BEEN DEMONSTRATED BY METRO IN THE WASHINGTON REGION REFLECT THE BENEFITS THAT TRANSIT CAN BRING TO CITIES THROUGHOUT THE COUNTRY. WE SUPPORT LEVELS OF FUNDING WHICH WILL PERMIT OTHER CITIES IN THE NATION TO OFFER COMPARABLE HIGH LEVELS OF TRANSIT SERVICE TO THEIR COMMUNITIES.

BECAUSE OF THE IMPORTANCE OF THE EXISTING TRANSIT INFRASTRUCTURE TO THE ECONOMIC VITALITY OF OUR LARGER URBAN AREAS, WE STRONGLY URGE SUBSTANTIAL FUNDING FOR MODERNIZATION OF EXISTING OLDER RAIL SYSTEMS. IT IS EQUALLY IMPORTANT THAT INCREASED RESOURCES BE

DEVOTED TO PROTECTING THE FEDERAL INVESTMENT IN NEWER RAIL SYSTEMS SO AS TO ASSURE THAT, AS THEY BECOME MORE MATURE, THE QUALITY OF THEIR EQUIPMENT, FACILITIES AND SERVICE IS MAINTAINED.

METRORAIL IS 15 YEARS OLD AND OUR METROBUS FLEET IS ONE OF THE OLDEST IN THE NATION. AT A TIME OF LIMITED RESOURCES, METRO IS FACING SIGNIFICANT FUTURE CAPITAL COSTS.

AT THE SAME TIME, FUNDING DEMANDS UPON LOCAL GOVERNMENTS ARE BECOMING VERY INTENSE, WHILE REVENUE RESOURCES ARE REMAINING EXTREMELY LIMITED. IN ORDER FOR LOCALITIES TO PLAN AND ALLOCATE THEIR RESOURCES EFFECTIVELY, IT IS EXCEPTIONALLY IMPORTANT THAT THE FEDERAL CONTRIBUTION TO LOCAL TRANSIT SYSTEMS BE AS STABLE, RELIABLE, AND PREDICTABLE AS POSSIBLE. THIS ARGUES STRONGLY FOR THE VAST PREDOMINANCE OF THE UMTA PROGRAM TO BE ALLOCATED BY FORMULA.

IN ORDER TO BUILD METRORAIL, WASHINGTON AREA GOVERNMENTS TRANSFERRED OVER TWO BILLION DOLLARS FROM INTERSTATE HIGHWAY TO TRANSIT CONSTRUCTION. AS THE BASIC TRANSIT REINVESTMENT NEEDS ARE MET THROUGH AN EXPANDED FEDERAL TRANSIT PROGRAM, THE NEED TO HAVE LOCAL FLEXIBILITY IN THE ALLOCATION OF ADDITIONAL RESOURCES AMONG TRANSPORTATION MODES BECOMES IMPORTANT. WE THEREFORE SUPPORT EFFORTS TO APPORTION TRANSPORTATION FUNDS AVAILABLE BEYOND BASIC REINVESTMENT NEEDS TO URBAN AREAS, WITH LOCAL OFFICIALS DECIDING THE DISTRIBUTION OF THOSE FUNDS AMONG HIGHWAY AND TRANSIT PROJECTS. IT IS CRITICAL, HOWEVER, THAT MATCHING SHARE RATIOS FOR HIGHWAYS AND TRANSIT BE ON A COMPARABLE BASIS TO AVOID AN INHERENT BIAS TOWARD FUNDING THE PROJECT THAT RECEIVES THE GREATEST PERCENTAGE OF FEDERAL DOLLARS.

CONCLUSION

THANK YOU VERY MUCH FOR THE OPPORTUNITY TO PRESENT THE AUTHORITY'S VIEWS ON THE URBAN MASS TRANSPORTATION ACT REAUTHORIZATION. IN PARTNERSHIP WITH THE FEDERAL GOVERNMENT AND THE STATE AND LOCAL GOVERNMENTS IN THIS REGION, METRO HAS ACHIEVED THE GOAL OF THE CONGRESS IN CREATING A PUBLIC TRANSPORTATION SYSTEM WORTHY OF OUR NATION'S CAPITAL. WE URGE THE SUBCOMMITTEE TO EMBRACE A LEGISLATIVE PACKAGE WHICH ENABLES OTHER CITIES TO PROVIDE SIMILAR HIGH LEVELS OF TRANSIT SERVICE TO THEIR COMMUNITIES.

THE UMTA PROGRAM HAS FOSTERED AN AWARENESS IN THE IMPORTANCE OF MOBILITY TO THE ECONOMIC VITALITY OF OUR URBAN, SUBURBAN AND RURAL

AREAS. WE URGE THE CONGRESS TO CONTINUE THE COMMITMENT TO MODERN, EFFICIENT, SAFE, AND RELIABLE PUBLIC TRANSPORTATION THAT UNDERPINS THE UMTA PROGRAM.

I WOULD BE HAPPY TO ANSWER ANY QUESTIONS THE SUBCOMMITTEE MAY HAVE.

Mr. **Francois**. Mr. Chairman, just to pick up on that point, I would agree that it is much the same in highways also.

I think some of the "waste," if we could call it that, that is attributed to transit is also traceable to the lack of followthrough.

The Miami People Mover Project is frequently cited.

Why did it fail?

Basically because the connecting links to it were never put in place.

What can happen if you do pay attention to the aftereffects is probably best shown in Portland, OR, with its light rail system.

I would note that that was not something that was solved by the local governments; it was the State government and the local governments working with each other that made possible what is occurring up there.

Working together, the two levels of government are now guiding development where it ought to be.

They are using that light rail system.

They are going to finance an extension of it—the basic funding coming from a local lottery, I might add—but it is working.

It shows what can be done if you really follow through.

So much of what we identify as "waste" is a project half built, half conceived that was not really put in place the way it should have been.

Mr. **Gunn**. A good example of that is the 63d Street tunnel in New York, which was part of a grand strategy that, because of funding shortages, fell short.

Now you have a tunnel which is a very expensive tunnel and someday it will be very useful.

Today, it crosses the East River and ends up at 21st Street in Queens, which is not a major traffic generator.

The idea was soundly conceived, but it did not get executed properly because of funding constraints.

Senator **Sarbanes**. How much of the problem with new starts is that you are shifting your premises? Because one reference was made to high densities and low densities.

You start out on a certain assumption.

You develop that way.

Then as it grows you begin to perceive, well we really need a mass transit system here, but your growth has not been geared to a mass transit system, it has been geared to a highway system.

Then when you try to shift over, you are not going to have the high densities initially at least that constitute the best underpinning for a mass transit system.

So there is going to have to be, it seems to me, a period of time in there when you are trying to change over your basic premises from a no-mass transit system to a mass transit system, and it takes time then to develop, to get the kind of development patterns that give you the high densities that best underpin financially a mass transit system.

Mr. **Diridon**. Senator, in local government, and I come from local government, we recognize that it is not land use that can be planned consistently.

You do not develop a general plan in zoning and expect forever to be able to control it. You control it by economic factors.

If you continue to build highways, you encourage sprawl. That is a fact.

We know it. If you build mass transportation systems, certainly for a time they are not going to be used up to capacity until the people begin to focus around those rail stations with higher density development.

Mass transit guides growth.

And we want to try to do that.

I think the professor's comments are repugnant.

He is going around the United States telling people a bunch of bull manure about New Starts and discouraging the construction of mass transit.

I think it is obnoxious, and it is hurtful to this country.

His material has flaws in it.

I would like him to show representative New Start programs that have decreased—and he said it right here—decreased ridership.

Maybe there is one in the United States.

That is silly.

The investments that we are making in New Starts, especially in the Sun Belt, are necessary if we are ever going to have mass transit systems.

You cannot say that unless we can build a whole system, and if you can provide the money we will build the whole system at once, but you cannot say that you can judge the ridership potential for mass transit in an area when you build one line.

And that is all we have enough money to do, to build one line at a time.

More importantly, the gentleman's comments are elitist.

He talks about congestion pricing to force poor people off the roads, and then he talks about not creating mass transit systems to give them an alternative.

That is not proper.

Mr. **Kochanowski**. Mr. Chairman, I would like to——

Professor **Kain**. Could I respond to that? I mean, that is a personal attack. I would like to respond to that.

Senator **Cranston**. Yes.

Professor **Kain**. I would like to respond to this "elitist" notion.

The idea that road pricing would adversely affect poor people is simply wrong. In the United States, as elsewhere in the world, most route miles of transit occur on general purpose streets and roads. Congestion seriously degrades road-based public transit. Measures that would reduce congestion would substantially improve transit performance. The resulting improvements in transit service would greatly improve the mobility of low-income households. If you are truly concerned about the impact of gas taxes on low-income households, part of the increased tax revenues could be returned to these households as a tax credit. Such a credit would increase the welfare of low-income households and, at the same time, not encourage them to make excessive use of private vehicles.

Mayor Rubach. But there is no transit system.

Mr. Diridon. If there is a transit system. But you oppose the creation of new transit systems.

Professor Kain. No.

What I oppose are wasteful expenditures for costly and inappropriate rail systems that do not increase transit use. I would like to use the funds that are now being spent on white elephants, that produce little or no increase in transit use, to pay for service expansions and fare increases that would increase transit use.

What I oppose are schemes such as the one that was approved by Houston's transit authority—METRO—board a week or two ago. METRO's board proposes spending $1.6 billion to build a monorail that will, by their own analysis, carry fewer riders in 2010 than an all-bus system costing $1.6 billion less. This is what I have in mind when I refer to waste in the New Starts Program.

Mr. **Kochanowski.** Mr. Chairman, I would like to get back to—the issue is how we are going to structure a new act that is going to overcome some of these inefficiencies and give transit a fair shake.

I think we have gotten into a discussion about how the existing programs "may" perpetuate waste and the like.

I would like to get back to that point, and to say that if we are going to avoid those kinds of things, if they are true, if there has been mismanagement of the transit systems and bad decisions, if we create the kind of a decisionmaking structure locally, that is the best vehicle to allow people to make the proper decisions in infrastructure that is going to do the best to promote a given region's mobility and its economic growth.

I would argue that empowered local people that have the authority for the long-range transportation land-use relationship will begin to understand that relationship.

They will not make profligate investments in either mode because they are going to be using more of their own money to that degree.

They are going to be making decisions comprehensively, and perhaps even make stronger decisions about the land-use controls necessary to bring out the proper forms that are going to enhance the transportation relationship.

So I would argue for this empowered local process that is going to eliminate some of the perhaps inefficiencies that might have occurred because of people chasing Federal dollars that they view as "free" in their eyes to perpetuate certain kinds of modal systems.

In an empowered local process they are going to make their tradeoffs.

They are going to decide which kind of land-use pattern, which kind of urban form they wish, and they are going to do the right things in a better, balanced fashion under that kind of a system.

Mr. **Mosena.** Mr. Chairman, could I just take a minute? I wanted to respond to some of these questions about New Starts, but I think the way I would like to do it is to quickly describe for you the system that we are conceiving in Chicago, because I think it creates a vision about a New Start Program which, if it could be then turned into criteria and turned into a goal in the Federal program, could address many of these concerns.

We are in the process of designing and proposing a light rail circulator transit system in the downtown core of the city.

This is a system of 8 miles in length, about $600 million in 1990 dollars that will connect up the west side train stations that feed into the city, with McCormick Place, our convention center on the south side of the city, with our central core loop, and with a large, burgeoning shopping district in the North Michigan Avenue area, and pull them all together with our museums, and with our office corridors, and circulate traffic throughout the rush hour—distribute traffic during the rush hour, and circulate traffic throughout the midday and the weekend in the downtown.

To Senator Sarbanes' comment, we view this as a "system," a long-range system that is being put in place today to not only meet existing travel demand, but to guide growth—to guide growth—through land-use planning and through transit planning.

The growth pattern we have in the suburbs today was guided largely by the highway system.

This transit New Start Program will guide growth in the growth areas, and serve existing demand where it exists in the downtown.

It is viewed very much to keep Chicago and help make Chicago competitive with other cities on an international basis in the next century.

It is looking way down the road.

It is a long-term investment that helps inner-city workers get to their jobs.

It is an extension of the Regional Transit System which helps suburbanites come into the LOOP and then move around to their jobs.

I think the most telling thing about it is the funding share.

This project is being financed on a one-third local/one-third State and one-third Federal share.

We are taking two-thirds of the capital costs of the system and doing that locally at the State level, not at the Federal level.

The local one-third share is coming, and the vote occurred in our city council in February in the early stages of this deep office recession in the commercial office market, is coming from a property tax surcharge increase on local commercial office space in the downtown.

Now that tells you what the business community, the office development community thinks about the future.

Obviously we are in a recession.

We have a hard time dealing with tenant occupancy now, but the vision is to leap forward to the next 10 or 20 years to put in place this circulation system at grade light rail.

I tell you all that because I think that paints a picture about the long-term vision and the long-term patient money investment necessary to invest in the health and maintain the health of a massive inner city that we cannot afford to disinvest in.

Will it meet the very best of today's tough ridership criteria? I don't think so.

We are working with those ridership criteria, and the time criteria, and it will sustain those tests, but it is not as competitive on those criteria as it is with the larger, long-term vision.

If you look at—can you use existing inefficiencies or cost problems, or alleged waste in existing New Start Programs and argue against such a system? Yes, you can. But I think that is penny-wise and pound-foolish.

I think the longer view and the patient view is going to put us in a place in 20 years where we need to be, and we can only be there if we are willing to spend the money today.

The interesting note I think is that the city and the business interests in the city are willing to commit their funds to it right now. That tells a lot I think.

Senator **Cranston**. Ms. Bellamy.

STATEMENT OF CAROL BELLAMY, MANAGING DIRECTOR, PUBLIC FINANCE, BEAR, STERNS, NEW YORK, NY

Ms. **Bellamy**. Mr. Chairman, since you mentioned the business community, and I come wearing that hat today—although as youngster, I did have an opportunity to sit for 8 years as a board member of New York's Metropolitan Transportation Authority—I wanted to touch on two points.

One, I apologize, goes back a bit to what Senator Sarbanes said.

From any measure, the reason you see the business community in this country increasingly supportive of efforts to increase funding in transportation is an understanding of the impact on this Nation's competitiveness and its productivity and its ability to compete in a one-world market.

We have talked about congestion, the stress that is related to that, the ability to retain and keep and attract employees; the impact of imported oil, and our ability again—and, as studies show, I mean we are already talking about 40 percent imported to grow if we do not begin to move to become more energy independent.

So from a business perspective, the business community which may have wanted to avoid this bickering—and I suppose we could all—why do we not have everybody who is for waste stand at this point? [Laughter.]

Indeed, no one is for waste.

But the role of the business community in at least joining in coalitions I think you will see increasing.

So I suppose the first point I would make is that there is no free lunch.

There are good economic competitive reasons to articulate an increased financing and funding for transportation purposes.

Second, however, I would argue that in terms of the role the Federal Government can play—and I will use this word, but it means many things to many people—is the issue of "flexibility."

You can mandate the finest planning process, but if it is still subjected to a biased funding process it will be a biased planning process.

We can have every level of government fighting each other.

It is like three senior vice presidents in a company. Nothing will get done, and the money will get spent.

So to try and assure the financing through those individuals or those entities that have the most direct relationship you get the best bang for your buck, if you will.

So I think we come back to fighting among ourselves, rather than—and in fact you are hearing our ideas, rather than encouraging what can be done.

Finally, just from a business perspective, I do think there are ways in which the Federal Government can encourage entrepreneurial activities and new creative ways, from tax considerations to, and this is another word that is used too often, privatization.

I mean, there is "privatization" and "privatization." To the extent to which it is the Federal Government bailing out business, there is no need for that.

To the extent to which there are ways to encourage pilot projects, or possible models that may be included, I think that is a role for the Federal Government to play.

So I offer those comments.

Senator CRANSTON. I would like us to move on, if I might, to another part of the outline that was provided to you with the questions.

That is, the question of a level playing field. Witnesses at previous hearings have identified several issues that favor highways over mass transit at the State and local level: lower matching requirements for highway programs; unequal availability of local matching funds; UMTA's overmatch policy for capital projects; heavier review and approval burdens for transit projects; and insufficient consideration of the indirect benefits of transit projects.

And I presume there are others.

The questions that I would like to focus on are:

What are the most important sources of bias against local selection of public transit projects?

How can changes in Federal law reduce or eliminate those biases?

And finally, how can UMTA's review and approval of applications become more similar to those of FHWA while meeting key objectives of environmental review and cost containment?

Do you have any comments on those points? Yes?

STATEMENT OF EMIL FRANKEL, COMMISSIONER, CONNECTICUT DEPARTMENT OF TRANSPORTATION

Mr. FRANKEL. Mr. Chairman, I think this question emphasizes really how interconnected these issues are.

It is difficult to deal with this question without using some of the words and talking about some of the concepts that we have already referred to this morning.

Specifically, flexibility and incentives.

I think that the question of flexibility ties in with the concept of a level playing field, and with issues of productivity.

I think everybody around this table, and the committee members as well, would acknowledge that we have underinvested as a nation in transportation.

But even if we were to spend down the Trust Fund, I think we have to ensure that that money would be productively spent.

That in turn ties in with the flexibility question. States like Connecticut need to have the flexibility to address problems of severe congestion as well as problems of severe air quality. Connecticut is one of the worst areas in the United States in terms of air quality, specifically the southwestern region of the State, Fairfield and New Haven Counties. So you see, for us flexibility is not an empty word.

It is not just some general concept of "fairness." If the Federal Government is going to be serious about enforcing the air quality standards contained in the new Clean Air Act, a State like Connecticut has to be able to spend some of its transportation money on public transportation alternatives.

I do not mean necessarily just capital rail or bus investments, but operating assistance as well. Any program which will get people out of single-occupancy vehicles.

We have to do that.

Indeed, under the new Clean Air Act we may be required to do that.

We may not be able to build or expand the highways, even if we wanted to, either because of air quality standards or because, as you have pointed out, Mr. Chairman, the lack of space and the tremendous costs involved.

So I think that the issue of a level playing field means, among other things, that States or metropolitan areas be allowed to make transportation policy decisions depending on the particular circumstances which are relevant to them.

I would also say that I think—and Ms. Bellamy made reference to this, at least implicitly—that there have to be appropriate incentives in Federal legislation and in Federal programs.

Connecticut is a State that is ahead of most if not all States in renewing its infrastructure, particularly its highways and bridges.

Connecticut also has, if not the highest, near the highest gasoline tax in the country on a State basis.

We are about to add no less than 1 and as much as 3 cents a gallon to the gasoline tax, the motor fuels tax, on July 1.

Yet, the program which the administration introduced to the Congress, and I suspect most of the proposals which the Congress will consider, would have Connecticut not gain relative program increases. Not in terms of aspects of its highway and bridge program, but also its mass transit program.

I would think it is in the Federal Government's interest to make sure that States are putting as much as they can of their own resources into their transportation infrastructure.

Finally, I would say that I think there has to be a high degree of sensitivity in Federal programs.

We again have perhaps a rather unique situation.

There are major components or elements of our public transportation system which also happen to have national or at least regional significance.

Specifically, the rail line we own, from the New York Stateline to New Haven, happens to also be a key link in the chain the Northeast corridor.

I know Secretary Skinner is particularly interested in it, and the Department of Transportation quite properly is interested in it.

We have major elements of that urban mass transit system, such as the so-called Peck Bridge, and the need for improvements in the area of the New Haven and the Stanford railroad stations, which will require major investments before high-speed rail transit between Washington, New York, and Boston can occur.

I think that the Congress and the national administration need to be sensitive to the particularities of various States and metropolitan areas, and sensitive also to the interconnectiveness of the problems facing the various elements of our transportation system.

[The complete prepared statement of Emil Frankel follows:]

Statement by Commissioner Emil H. Frankel, Connecticut Department of Transportation, Before the Senate Housing and Urban Affairs Subcommittee of the Senate Banking Committee

April 17, 1991

Thank you for the opportunity to appear before you to discuss the Urban Mass Transit Administration portion of the proposed Surface Transportation Act.

Connecticut brings a balanced perspective to its surface transportation needs. On the most fundamental level, Connecticut is committed to maintaining its transportation infrastructure. Currently, Connecticut is roughly two-thirds of the way through a ten-year infrastructure renewal program, which, when completed, will have achieved the rebuilding and resurfacing of a large proportion of our state's highways and bridges. Included in this program is several hundred million dollars for public transportation capital purchases.

Connecticut also understands how public transit can help a state meet the transportation and environmental challenges created by growth and suburbanization. An extensive regional bus service, an aggressive rideshare program, the addition of HOV lanes to our highways, and strong support for the Shore Line East and Metro North commuter rail lines all testify to Connecticut's commitment to public transportation.

The challenges faced in Connecticut, and throughout the Northeast, are different from those in many other parts of the nation. In addition to the basic need to improve and maintain roads and bridges, traffic congestion is among the most pressing problems which must be addressed. By the year 2010, 50% of travel in Connecticut will be congested, caused largely by the fact that roughly 85% of the vehicles in peak hours have a single occupant. Connecticut is also confronted with mounting air quality problems in the southwestern part of the state. Congestion and air quality are linked to the linear alignment of Connecticut's urban centers, and the growth of suburban jobs.

It is important to recognize, then, that Connecticut's challenges are interconnected. Connecticut must satisfy the growing transportation demands of its citizens and businesses, while at the same time providing for a cleaner environment. It is therefore essential that any legislation dealing with surface transportation be sensitive to these linkages and emphasize the critical role of public transit in meeting the interconnected issues of transportation and the environment.

Some twenty years ago it was recognized that the Interstate Highway System could not be completed in important urban areas, even though funds had already been committed. With this in mind, the Federal Highway Administration and Congress created the Interstate Transfer Program. This program allowed states like Connecticut to use Interstate funds for other transportation projects. The Hartford bus maintenance and storage facility, the Central Connecticut Expressway, and the new Charter Oak Bridge could not have been completed without access to these funds. Clearly, Connecticut has benefitted from Interstate Transfer.

Now may be the time for a similar structural change in the Surface Transportation Act to help Connecticut and similar states meet the more broadly defined transportation challenges which will exist well into the 21st century.

Connecticut would like to see several elements at the core of any fundamental change in surface transportation reauthorization as it deals with mass transportation.

A lot of people are talking about flexibility these days. As is evident from the debate over this bill, flexibility can mean different things to different people. Genuine flexibility to us means that substantial monies be allowed to travel both ways, to and from highways and transit. While it will be up to Congress to decide how far to extend this flexibility, a fundamental program of highway and bridge investment and public transportation support should be at the core of any reauthorization legislation. Above and beyond this core, however, flexibility will help states like Connecticut address their particular transportation needs.

The Administration proposal would make a much larger proportion of the public transportation program transferrable into highway applications than highways into transit. As a Department of Transportation, CONNDOT is not interested in "raiding" one program for the benefit of another. What we are interested in is improving transportation service to our citizens. This will require a more comprehensive, innovative approach to transportation issues than has been the case in the past. Increasing the share of highway money that can flow to transit would be a step towards genuine flexibility.

For example, in Connecticut, there are elements of the proposed NHS where increasing capacity is not socially or environmentally responsible. These areas can expect only increased congestion unless the flexibility is created to use NHS-dedicated monies on activities which will relieve congestion and improve air quality. In Connecticut, these funds might go toward transit solutions, such as purchasing commuter rail and bus assets, increasing vanpool fleets and supporting vanpool operations, building and operating intermodal interfaces, and supporting shuttle bus purchases and operations. The result for Connecticut could be decreased congestion, lower levels of pollution, and increased productivity and efficiency.

A lot has been said about broadening flexibility, an action that Connecticut supports. And yet, if Congress intends to encourage the maintenance, creation, and increased use of public transportation systems, it must also emphasize concepts of balance in any surface transportation reauthorization.

Balance means increasing public transportation funding levels with respect to highway monies. While the levels proposed by APTA may be ambitious, those in the Administration plan are insufficient. Funding for public transportation must not only be increased, it must also be structured in a sustainable manner. The Administration proposes flat funding for the life of the program. This would deplete the Mass Transit Account within five years, and maintaining support for the program would require Congress to use general funds, seek an increase in the gas tax, or both. Connecticut supports a structure which uses general funds at traditional levels and achieves increases through the responsible use of Mass Transit Account monies. This would result in an overall increase in the program, as well as a sustainable balance in the Mass Transit Account.

Balance also means equalizing the federal matches for transit and highway programs. If the Administration's proposal is enacted, the message to state transportation departments will be to put still more of their program into highways. In a constrained budget environment, a state will pursue 90/10 or 75/25 federal highway money more aggressively than 60/40 public transportation funds. If Congress wishes to reorient states towards transit solutions to public transportation problems, it should create one match, at say, 80/20 or 75/25 for all non-interstate transportation projects —highways or public transportation. This would provide greater freedom to deal with interconnected issues —congestion, air quality, energy conservation, and productivity.

Balance means taking a closer look at various forms of demand management. Helping people realize the full costs of single occupant commuting also helps them realize the benefits of public transportation alternatives. Important among demand management options is the balance between the parking subsidy and the transit allowance. To an employee, a small transit subsidy is taxable, while free parking is, well, free, and not taxable. To the employer, the transit subsidy affords no tax benefits, while the parking subsidy is tax deductible. While primarily a tax issue, the committee should be aware that this system creates disincentives to corporations wishing to subsidize transit for their employees. Connecticut favors increasing the transit subsidy to something in the neighborhood of $60 per month and addressing the tax benefits of free parking for companies in a sound budgetary manner.

Another demand management option, congestion pricing, will be an alternative studied with interest by Connecticut.

Finally, balance ought to be achieved between formula-based and discretionary funding. Connecticut has done well by discretionary funding, having in recent years secured significant portions of its public transportation program in this way. A system that is entirely formula-based is disadvantageous to a state like Connecticut which shares the problems, but not the concentrated urban densities, of many larger states. Connecticut does not necessarily object to the increased use of formula funding so long as any formula is fair, and program funds are adequate. Nevertheless, it is important for the Committee to recognize that Connecticut has substantial needs which simply could not be addressed through a formula-only system. Some sort of discretionary program should remain available to states like Connecticut with special needs.

For example, a special need exists to replace the "Peck"

Bridge. The "Peck" Bridge, which crosses the Pequonnuck River in Bridgeport, is not just a rail bridge for Metro North, it is also a vital link in Amtrak's Washington, New York, Boston corridor. Over 100 trains cross the "Peck" bridge each day. This makes it a bridge of national significance, and federal help, above and beyond available UMTA funds, is therefore warranted.

In addition, while Connecticut wholeheartedly supports Secretary Skinner's goal of achieving a New York to Boston travel time of 3 hours, significant discretionary funds will be needed for Connecticut's portion of that project, particularly at the Stamford and New Haven railroad stations, and in the future, for replacement of the catenary power system. Also regarding the New York to Boston corridor, I would like to use this opportunity to communicate Connecticut's continued support for the Northeast Corridor Improvement Program (NECIP). As Connecticut actually owns the rail line from the New York border to New Haven, we are particularly interested in Northeast Corridor rail projects.

There are many positive aspects to the Administration's proposal as it relates to mass transit. The introduction of more flexibility is encouraging. Allowing advance construction authority for public transportation projects is a valuable step. Connecticut supports fulfilling the pledge to the Interstate Transfer Program. The growing emphasis on intermodal planning will be of great economic benefit to the nation, and Connecticut is increasingly adopting this perspective. While it may not be immediately suitable to Connecticut, the concept of congestion pricing is an appealing one, and its applicability to Connecticut will be studied. In brief, what the Administration has prepared is a good start.

Connecticut has taken the initiative and is a leader in its commitment to maintaining and improving a balanced transportation system. Connecticut is aggressively renewing its infrastructure and energetically promoting public transportation. Connecticut has taken many of the initiatives encouraged at the federal level —dedicated revenues, multi-year planning, and infrastructure investment. Connecticut is continuously improving and expanding public transportation alternatives for its citizens.

If Congress gives the states a Surface Transportation Act which incorporates true flexibility, balance, and adequate funding, states will address the more transit-oriented transportation challenges of the next decade in a proactive, progressive fashion. The result for the nation could be decreased congestion, lower levels of pollution, and increased productivity and efficiency.

Thank you again for inviting me to offer my views here today on behalf of the Connecticut DOT.

Mr. **Kochanowski**. The one aspect of flexibility that I feel strongest about I guess relates to the fact that under the existing proposal we are looking at flexibility for a relatively modest amount of the national resources.

That to me is the most striking part of what is wrong with it.

It appears to me that the national system that has been defined, a 150-mile system that most people tend to believe is in our principal national interest, takes about 70 percent of the resources, as I can see it, and about 30 percent are allowed for the urban-rural system, in which the urban part of that we are saying has some flexibility.

In my way of thinking, that is not enough. I think it is important that we need to have some national system. I think it needs to be of a more modest scale, and there should be sufficient resources simply to sustain and maintain that system.

Any expansion to it, particularly in urban areas, of a lesser system should come into the flexible category. For that reason, I am suggesting that the national system needs to be lesser in scale, and that any projects within urban regions, truly urban regions, need to be truly flexible, and that needs to be a larger share of that Federal resource.

To my way of thinking, that is extremely important.

It is one thing to be flexible with a fairly large amount of money.

It is something else to be flexible with a pittance.

Mr. **Williams**. One of the problems, Mr. Chairman, with the national system which actually is likely to be much greater than what the administration has proposed. Once it gets up here to Congress every district map will be brought out and lines will be drawn, and people will determine whether their district has national highway mileage, and if their districts do not, that mileage will get added.

The bigger problem with a national system as it has been proposed by the administration is not just its size and the fact that most of the money goes there, it is that it does not have any focus; it does not seem to be directed toward any particular set of goals; and it does not seem to be directed toward those things that are in the direct national interest. That is probably the biggest problem with it.

If it were focused down to something that reasonably are the direct interests of the National Government, I believe that if they split the money roughly 50–50 between the national system and the rural-urban, we probably at the State level could accomplish something meaningful with that system.

But if we end up with a National Highway System of 200,000 miles or more, which is very likely in the political dynamics that we are faced with here, that system will be a meaningless national system.

Senator **Cranston**. I would like to narrow down the question in one respect by asking you this:

Are there additional biases against the choice of transit that could still exist even if we moved to a more integrated planning and allocation process at the metropolitan level, and if we establish equal matching ratios for highways and transit?

What problems would still confront us?

Mr. **Francois**. Mr. Chairman, I would still come back to one that was raised earlier, which is the unequal treatment between parking and transit subsidization.

I agree with the comments over here that that is a very, very important issue. It is one that this Congress has not been able to address. I understand that. But we need to resolve that issue.

As long as we—it is just absurd the way it is now.

We have this wonderful $15 a month allowance.

If I give my employee $16, it is all taxable.

Why?

In any case, parking is far more costly than that.

We must find a way to break through that roadblock.

If you do that, then you are going to do a lot of other things, not just in choices between modes by people, but that then leads to a reconsideration of urban design, which is another problem we all face.

Now this process is not going to cure urban design issues, but we design our malls inside out.

We design them with lots of parking round them. Where is mass transit? Well, maybe way on the edge.

Well, let it come on the property.

Those things start changing when you start talking about charging for parking, and paying the cost for it.

Then you have got some tradeoffs, and people will start demanding that the transit stop be put at the office building where I work, not four blocks away.

So those are the kinds of changes that can happen.

Back to the planning issue.

Just to create a planning process is not enough. We have got to get some new resources out there.

As we pointed out, there is a great disparity in the size and scope of a transit planning function within an MPO or a State highway agency, or a city or county government, and the highway planning function.

They are smaller in numbers.

The tools they have available are much more limited.

I would underline that the administration in its bill has spoken out for a strong "transit" research program.

We need it.

We need a strong transportation planning research program to devise some entirely new tools that can be used by the planners we have that give equity on the playing field between the modes.

We do not do it now.

We tend to look at past trends and project those trends. We need to think in terms of what will it take to change things?

To do that, we have got to spend some money on research, and we have got to understand better how you can do all of this.

So it is not just a greater planning process, but it must have enough money to operate.

It must have enough research behind it so it can do the kinds of things that we have to do.

Mr. **Diridon**. I would like to build on Frank's comments and say that I agree with his statements in regard to the planning process, but maybe make it a little more dramatic.

In Santa Clara County, we have gone through the process now of planning two New Starts, and it took us 11 years in both instances, two separate New Starts, but it took the identical period of time from the time we began the first study to the time we got full funding agreement--not construction, but the right to go ahead with construction—11 years in each case.

That is obnoxious.

That is not going to work.

What it does is it tears up the local constituency because their expectations are drawn out for such a long period of time that they lose faith in the process.

Also, the project costs twice as much by the time you got through that planning process.

That is going through a preliminary study, a first-phase environmental impact study, a second-phase environmental impact study with an alternative analysis, preliminary engineering.

Then you get to go back and ask for your grant.

And then only do you get a full funding agreement and get to do final engineering.

That is too long.

It certainly is not the kind of an effort you have to go through if you are going to build a highway project.

Now Don and his people did a good job in identifying that in the draft, and I think it is treated well, but it is going to be very difficult for you to change UMTA's procedures there.

We have tried.

Congress has tried, and they still go back to using the same procedures.

They have used it as a device for not putting out money. We all realize it.

It is a device for metering the flow of cash.

I hope you can go through that and require the same study process for either highways or transit.

STATEMENT OF BRUCE FRIED, TRANSIT NOW, WASHINGTON, DC

Mr. **Fried**. Mr. Chairman, thank you.

I wanted to go back to some of what has been discussed about the pricing of parking as compared to commuting, and really to underscore that, yes, that is a very important strategy. But it is only part of what we need to be looking at. In addition to increasing the availability and accessibility of public transportation, we must also be looking at increasing its use.

The Transit NOW Coalition, which I direct, is comprised of 150 national organizations, many of which are represented in this room, undertook some public opinion research last year.

We were delighted, and frankly quite surprised, at the strength by which people displayed a desire for something other than having to drive by themselves in their car.

I would say that in virtually every community, other than those that have the scope of transit services which we have in Washington, there really is no choice for most people. To get where they need to go, people have to get in the car and drive, be it to work, to shop, to school, wherever it may be.

Balancing the playing field in terms of accessibility, investing the capital that is going to be necessary to make transit available, dependable, safe, aesthetically attractive, those are very important considerations.

But that alone will not do it. There is no more attractive, dependable, and available transit system than the one we have in Washington. But the fact of the matter is, as long as people perceive that economically it is cheaper for them to get in the car and drive downtown, even if they have to pay their own parking, which may cost $8 to $10 a day, then many of those people will drive rather than take transit. As long as we underprice the cost of driving, as long as we fail to look at the fact that gasoline, in real dollar terms, costs no more than it did in the 1950's; when we fail to include the huge highway maintenance costs, clean air costs, energy costs, and foreign trade costs in the cost of gasoline, we fail to provide people with a real incentive to make use of public transportation even if we make the capital investment.

Mr. **Mosena**. Mr. Chairman—Excuse me.

Mr. **Fried**. Let me just say, I submit that the parking-commute subsidy issue is a fundamentally important one, but only one piece of what ought to be a broader look at what we can do to make the transit/driving economic incentives more equitable.

[The complete prepared statement of Bruce Fried follows:]

AMERICA'S COALITION FOR

TRANSITNOW

TESTIMONY

of

BRUCE M. FRIED

Executive Director

America's Coalition for Transit NOW

before the

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

of the

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

United States Senate

April 17, 1991

AMERICA'S FUTURE RIDES ON TRANSIT

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Mr. Chairman, my name is Bruce Fried. I am the Executive Director of America's Coalition for Transit NOW. Transit NOW is comprised of over 140 national businesses, associations, and public interest groups. A list of Transit NOW members is provided for your review. The members of Transit NOW have come together to support a major increase in federal funding for public transportation, which to us includes all forms of shared occupancy vehicles: buses, rail, car pools, van pools, and HOV lanes. In addition to the national coalition, Transit NOW affiliates have been organized in many communities across the country.

The composition of Transit NOW dramatizes the benefits that expanded transit availability and use offer our nation.

Transit's Benefits to the Economy and American Business

Among Transit NOW's members are investment bankers and electric utilities, Fortune 500 businesses and Chambers of Commerce. These and other businesses and business association's have joined Transit NOW because expanded transit service and usage is good for the national and local economies and, therefore, good for business.

Our nation's economic viability, competitiveness and productivity are jeopardized by our failure to invest in our infrastructure needs.

Since 1981, federal funding for public transit has declined by 50%, adjusted for inflation. Even the Administration's proposed transit budget for fiscal year 1992 fails to keep pace with inflation. Our nation's failure to invest in public transportation infrastructure parallels the decline in passengers per vehicle, the growth in vehicle miles traveled, and the resulting congestion and time lost which reduces productivity and competitiveness.

Our nation's productivity and our ability to effectively compete in the world market have also suffered from our failure to invest in revitalizing our infrastructure. Professor David Alan Aschauer of Bates College, formerly a Senior Economist at the Federal Reserve Bank of Chicago and a leading scholar on this issue, wrote in The Wall Street Journal, on March 14, 1990:

> "Private sector production of goods and services depends crucially upon an adequate and well-maintained stock of public sector capital: a public infrastructure of roads, bridges, mass transit, water and sewer systems and similar facilities. If public sector capital accumulation fails to keep pace with private sector capital accumulation, it can be expected that:
>
> 1) The rate of return to private capital will suffer;
> 2) Private investment will be depressed; and
> 3) Private sector productivity growth will stagnate."

The nations which will comprise the European Community have recognized the truths of Aschauer's analysis. The level of transit and transportation infrastructure formation in Europe is, simply, astounding. According to an article in the March 12, 1990 Business Week:

- Spain is investing $22 billion to rebuild its national rail network.
- West Germany is investing $12 billion to build an intercity high-speed rail network.
- Scandinavian countries are building Scanlink at a cost of $6 billion to connect Scandinavian rail and road systems to Europe.
- Switzerland is spending $8 billion to build trans-Alpine rail tunnels to Italy and an additional $5 billion on a new rail and bus network.
- The British and French are building the Channel Tunnel at a cost of $12 billion to accommodate 80 mph rail traffic.
- The French high-speed rail network is being expanded to Lille and Calais tying France, and all of Europe, into a network including Brussels, Amsterdam, Cologne and London.

America's chief competitors and our closest allies make significantly greater use of transit. And they make a larger commitment to capital formation, which encompasses transit.

	US	Japan	W.Germany	Canada
Transit Rides per Capita[1]	56.9	316.3	149.5	134.7
Gross Fixed Capital Formation As % of GDP[2]	17.3%	27.7	19.3%	20.8%

Mr. Chairman, while we must be attentive to the federal budget deficit, we believe that a thoughtful policy of investment in public transit infrastructure will have significant benefits for the federal budget and the nation's economic health.

America's productivity is being severely hampered by the growing crisis in traffic congestion. It has been estimated that travel delays in the nation's largest urbanized areas now cause two billion hours of time to be lost annually. Time lost in traffic is projected by the General Accounting Office to grow to four billion hours within the next decade. In California, urban congestion results in $2 million a day of lost productivity. Congestion on Washington's Capital Beltway costs employers $120 million in lost productivity each year.

Considering traffic delays experienced in smaller urban areas, the amount of time spent -- and money wasted -- in unproductive travel is significantly greater. A 1983 Federal

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[1] U.S. Data source: USDOT Section 15 Data for 1986. Source of other data: Calculated from Jane's Urban Transport Systems, 1989.

[2] Calculated from Europa World Yearbook 1989, Europa Publications Ltd., London, 1989.

Highway Administration study shows that 11 percent of all labor force work hours are spent on the highways.

Of greatest concern is the estimate by the Department of Transportation that by the early 21st century, delays are likely to be tremendously greater than they are today. Over the next twenty years, travel in urban and suburban areas (where more than half the population resides) is projected to increase by more than 400 percent on freeways and by more than 200 percent on other roads. In areas under one million population, freeway congestion will increase more than 1,000 percent.

Productivity is not only impacted by time spent in congestion. Workers who must fight traffic experience significantly more stress than their colleagues who use transit. The negative impact of stress on worker's productivity, health and absenteeism is well documented.

The productive time and energy lost in congested traffic has direct consequences for our nation's ability to compete in the increasingly competitive global market.

The growing congestion on our nation's roads is directly attributable to the decline in average vehicle occupancy (from 1.2 persons per vehicle in 1970 to 1.1 in 1990) and the significant increase in the number of vehicle miles traveled over the past two decades (four time greater than the rate of population growth).

The point, Mr. Chairman, is that our nation's productivity will continue to suffer unless congestion is significantly reduced. Public transportation and ridesharing services offer the greatest opportunity to reduce congestion by increasing vehicle occupancy and reducing the number of vehicle miles traveled.

The nation continues to suffer from deficits in international trading. For 1990, our trading deficit totaled $103 billion. Simply put, we are paying more money to foreign nations to buy their goods and service than we are being paid for the products and services we sell abroad. As you are well aware, the deficit in our foreign trading about a decade ago and persists today.

An analysis of the continuing trade deficit reveals that the cost of imported energy, nearly all of which is oil, accounts for better than 40 percent of the trade deficit. Indeed, the U.S. imports more than half of the oil we consume. It must be of great concern that the trend is for greater reliance on imported oil.

We also know that transportation accounts for better than 65 percent of our nation's petroleum use. If we are to reduce our reliance on foreign oil suppliers, and thus reduce a major component of our foreign trade deficit, we must reduce the consumption of oil for transportation purposes.

Currently, there is much debate regarding increasing CAFE (Corporate Average Fuel Efficiency) Standards as a means of achieving a more energy efficient transportation system. While that is a worthy goal, recent history tells us that increasing the efficiency of automobiles, alone, is not enough to achieve the larger objective.

In the past two decades, there has been a 44 percent increase in the fuel efficiency of the U.S. vehicle fleet. Notwithstanding that accomplishment, these efficiencies have been overwhelmed by an 88 percent increase in vehicle miles of travel. In the decade from 1979 to 1989, transportation is the only sector in which oil consumption grew.

Again, we are drawn to recognize that increasing average vehicle occupancy and reducing vehicle miles traveled must be a key strategy in reducing our dependence on foreign energy supplies and improving our foreign trade balance.

In the National Energy Strategy recently released by the Administration, this point was perfectly articulated:

> Studies and demonstration projects...have consistently shown that mass transportation, carpools, vanpools, and HOV lanes are the quickest, cheapest ways to improve transportation energy use and reduce commuter congestion.

Funds invested in expanding transit invariably benefit both the economy of the community being served and communities outside the transit system's service area. For every $10 million in transit capital investment:

- 770 jobs are supported.
- $33 million in business revenues are generated.

For every $10 million in transit operating investment:

- 960 additional jobs are supported, and
- $30 million in business revenues are created.

In an urban context, ready access to transit has proven highly valuable to retailers. In a lengthy article on this issue, The Washington Post reported on a Peat Marwick study that showed "Metrorail's fiscal impact on Virginia though 1995 ... would generate 1.7 million square feet of office space, 3,000 jobs and 2,400 construction jobs in the retail industry."

New transit technologies, the next generation of transit systems, should be of particular interest to America's manufacturers. Significant research and development is underway in the area of magnetic levitation propulsion (maglev) systems for high speed rail travel. New high speed rail lines are in the planning or design phase in Florida, California, the Northeast Corridor, Pennsylvania, and Nevada, among other areas. These and other developments in the transit arena offer technology-oriented manufacturers the prospects of new markets and opportunities at a time when other markets, notably defense, are unstable at best.

Beyond direct benefits to the area being served, transit systems rely on suppliers from throughout the country to meet their needs. Uniforms may be made on the other side of the state. Maps, tickets, and other printed matter may be produced in another state. Investments in transit systems ripple across the economies of the locality, the state, and the nation.

Mr. Chairman, expanding the availability and use of public transportation and ridesharing services is an incredibly powerful tool for fixing a number of our nation's economic ills. More and better use of transit services can increase our productivity, reduce our foreign trade deficit, and position American businesses to be more competitive in the global economy, and support economic development in our local communities.

Transit's Benefits for the Environment

Organizations concerned with the environment and health are also members of Transit NOW. To a large degree, their involvement in this effort grows from their recognition of the important benefits transit offers in cleaning the nation's air and reducing the risks of respiratory ailments.

Motor vehicles cause over 30 percent of carbon dioxide emissions, between 40 percent and 60 percent of hydrocarbons, and between 70 percent and 80 percent of carbon monoxide emissions, significantly contributing to global warming, urban ozone, smog and general air quality degradation.

The cost of air pollution is substantial. The American Lung Association estimates health care costs of $40 billion a year resulting from air pollution. Crop loss from ozone and smog is estimated at $1.3 billion annually.

America's industries are being pressed to implement an array of emission control strategies ranging from installation of smoke stack scrubbers to the use of low-sulfur coal to vehicle emission reductions. Given the major role motor vehicles play in the air quality problem, reducing this source of pollution will have a most beneficial result.

The recent enactment of the Clean Air Act (CAA) was a clear statement of the national interest in reducing air pollution. The Clean Air Act and other local, regional, and state laws impose air pollution reduction requirements that fall heavily upon manufacturers and business. These include trip reduction laws, requirements for mobility plans and ridesharing programs, development fees and growth moratoria.

One specific example is Southern California's South Coast Air Quality Management District's (SCAQMD) ridesharing ordinance which fines businesses that do not encourage ride sharing. Employees can receive as much as $80 a month plus a free parking bonus to car-pool drivers. Businesses have 90 days to submit a plan, with daily fines of as much as $25,000 for noncompliance.

Expanding transit systems is not only the most effective means of reducing vehicle emissions, it may also be the most favorable from the perspective of employers facing initiatives such as those of the CAA and SCAQMD.

Using any kind of shared ride alternative to single occupancy vehicles offers dramatic savings. On the average, hydrocarbon emissions by:

- car pools are two-thirds less than single-person vehicles,
- van pools are 80 percent less,
- buses are 90 percent less, and
- rail transit is 99 percent less.

Similar reductions are experienced with regard to other pollutants.

By expanding transit systems, we can achieve dramatic reductions in a major source of air pollution, which may help to contain increasing medical costs borne by many employers.

A July 1989 study by the South Coast Air Quality Management District (Southern California) found:

- Health benefits from reducing ozone to federal standards were calculated to be worth $196 annually for each person living in the SCAQMD area. Reducing ozone to the California standard will produce per capita benefits of $214 annually.
- Per capita health benefits for compliance with federal and state particulate standards were estimated to be $575 and $972 respectively, each year.

While reducing tailpipe emissions is one approach to controlling vehicle generated pollution, expanded use of transit is a more efficient and effective alternative.

Transit's Benefits for Rural America

Mr. Chairman, public transportation is too often seen as only an urban or suburban issue. In fact, public transportation has been of increasing importance to the economic an social viability of America's rural communities.

Mobility in rural America has suffered increasingly in recent years. Inadequate services and facilities and the lack of transportation options pose an increasing threat to economic opportunity and quality of life for millions of rural citizens.

The transportation crisis in rural America has resulted from:

- a steady loss of regional air service;
- loss of intercity bus service; and,
- inadequate funding and program complexities in the use of human service transportation funds.

Wholly inadequate federal funding for public transportation, however, stands out as a vital missing feature of federal policy. Nearly half of the nation's rural counties and almost one third of our small cities are not served by public transportation.

The demographics of rural America clearly point to the importance of increasing the availability, use and investment in public transportation services for rural citizens:

- 38% of the nation's population resides in rural areas; another 10% lives in small urban towns;
- nearly 50% of the rural elderly are in poor health;
- 60% of the rural elderly are not licensed to drive;
- one in six rural families lives in poverty; and,
- in the rural South, 4 of every 10 residents are poor, elderly or both.

Transit's Benefit for Transit Dependent Americans

Transit is a major key to independence for people with disabilities, older Americans, the young, and the impoverished.

This independence can only best be achieved, however, by increased, steady funding and unwavering support for expanding the nation's public transportation services. Failure to expand transit services and investment has enormous costs:

- willing workers will be unable to travel to available jobs,
- the elderly will be unable to receive medical treatment and other services,
- citizens with disabilities will be unable to work without accessible transportation options,
- the young will be unable to attend education and job training programs.

Today, 43 million people or about 17% of the population have a disability. Thirteen million are of working age. Eleven million are considered "transportation handicapped" and require special transportation assistance. Nearly half of those indicate their mobility is limited due to a lack of adequate public transportation services.

Transit is a vital link to full participation in society by people with disabilities. The Americans with Disabilities Act of 1990 mandates enhanced and expanded transit services.

By the year 2000, the elderly will constitute 17% of the nation's population; by 2030, 65 million Americans will be 65 years of age and older; the frail elderly (85 years and older) will increase to 16 million by 2050. Nearly 50% of the rural elderly are in poor health and 60% are not licensed to drive. Expanded public transportation services are vital to provide access to essential personal and social services.

Young people unable to drive are particularly vulnerable to the lack of transportation options. For every one hundred children born today, 13 will be born to teenage mothers, 15 will be born to households where no parent is employed, 15 will be born into households where the working parent earns a below-poverty wage, and 25 will depend on welfare for at least a portion of their childhood.

For families with young people who are of driving age, transit is the safest means of transportation. Where transit is an option, teenagers who can drive have another means to get where they are going, one that their parents don't have to worry about.

The number of women in the work force will increase from 45 million to 65 million by the year 2000. Between now and 2000, minorities will account for 60% of the nation's population growth, the black population will increase three times as fast as White; the Hispanic population will grow six times as fast; and other races will grow ten times as fast.

In 1987, 28 percent of transit users were from households with incomes of less than $10,000; Another 28% were from households with an income of $10,000 to $20,000. Increasing our nation's investment in public transportation is essential to extending access and mobility to people with disabilities, older Americans, and others who are transit-dependent.

Transit NOW's Recommendations

Mr. Chairman, for all the reasons detailed above, and more, the organizations which are members of Transit NOW have endorsed the following recommendation's regarding reauthorization of the Surface Transportation Assistance Act.

1. Enactment of a 5-year bill;
2. Provisions which assure a stronger linkage between federal transportation investment and major national goals, including enhanced mobility and greater accessibility for people with disabilities, reduced congestion, increased economic development, productivity and competitiveness, increased energy conservation, improved air quality; and expanded services for transit-dependent people;
3. Major increases in federal investment in transit and other forms of high-occupancy, shared-ride transportation services, including increased capital, operating and research and development funding for urban, small urban and rural services;
4. Continued commitment of both general funds and user fees to support increased federal transit investment;
5. Increased local decision-making in the use of available funds;
6. Provisions which assure better balance in the availability and use of transportation funds, and equal consideration of transit and other transportation improvements to achieve major national goals:
    - make all matching ratios equal;
    - broaden project eligibility;
    - assure support for maintenance and reinvestment in existing systems and services; and
    - equalize tax treatment of employer-provided transit and parking subsidies;
7. Enhanced equity, reliability and stability in the flow of funds through greater reliance on formula distribution mechanisms.

Mr. Chairman, I thank you for the opportunity to submit this testimony on behalf of America's Coalition for Transit NOW. We are eager to assist the Committee in the development of policies which expand the availability and use of public transportation.

AMERICA'S COALITION FOR

TRANSITNOW

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(more)

Mr. **Mosena**. I concur.

Mr. Chairman, I would like to give you just one more example on your specific question.

The timeframe—this builds on the comment made by the gentleman from Santa Clara—the timeframe required in the preplanning stages to get a New Start Program going is enormous. The timeframe is driven by the critical path that is put together by UMTA's requirements.

What is not seen or appreciated by the UMTA alternatives analysis and preliminary engineering, and final engineering process, and all the EIS's, is the local process that is at the same time being encouraged by UMTA to generate local support of local money.

For us to raise the one-third capital share from local pockets requires putting together a local political cooperative coalition in the business and civic and local government community that was enormous.

We handhold and work that constituency day in and day out. We worry greatly about keeping that coalition all together intact as we go through a critical path that is much, much longer than we would like to see it.

So that I think calls for really taking a hard look at overhauling the UMTA planning process.

One other point about it is that I do not think that the UMTA process is really being effective in what it is trying to do, at the same time. It is adding costs. It is adding burden to getting these things done. I do not think it is effectively policing waste and policing all the other problems it is intended to do.

So it is really of no benefit. It is just a cost added.

Senator **Sarbanes**. Mr. Chairman, I am going to have to excuse myself because I have another commitment, but I did want to thank the participants.

I think this has been an enormously helpful panel, and I am most appreciative for the effort people have made to participate.

Thank you.

Senator **Cranston**. Thank you, Paul.

Mr. **Kochanowski**. Mr. Chairman, may I add one more point? And also I would say thank you to the Senator. He is a great champion of transit, and we appreciate it.

On the issue of the planning delays, part of the difficulty is within UMTA itself. It is not of UMTA's contrivance as much as it is the prior administration's contrivance of cutting back UMTA so devastatingly that it only has three people now reviewing grant applications and the environmental impact studies.

As a consequence, they just cannot process the papers quickly.

We have been working now for 2 years on processing a draft environmental impact statement for publication, a process that should take a couple of weeks, and we are entering into our second year now in that process.

It is because they are short-staffed. So I hope part of what you do here is to properly staff UMTA. If they are going to have the procedures that require regional and head office review, then they have got to have the staff to make those reviews quickly.

Mr. FRANCOIS. Mr. Chairman, I would underline that point. AASHTO feels strongly on this, too, that UMTA staffing is a problem. I think they recognize it. We have to find a way.

I think the point that is being made, though, is very valid. If you want to level the playing field, then the time processes on both sides have to be roughly comparable.

Now there are clearly different issues in transit than there are in highways, ridership, affordability, all those other issues that do not necessarily crop up the same in both modes. Do not think, however, that highways is an easy path, either.

It is very typical to go through a 7-, 8-, 9-, or 10-year planning process for a highway project, too, on environmental grounds, mostly. Some never get from point A to point B, as we know. But the processes should be parallel with roughly the same Federal resources devoted to processing whatever process we have, so that we do not have these great delays simply because there is nobody there to answer the phone, which frequently is the case. It should not be that way.

The resources, again, must be there.

Senator CRANSTON. I want to make sure we cover the Clean Air Act before we run out of time.

The Clean Air Act Amendments of 1990 obviously were a major legislative achievement.

The key question before us is how the Surface Transportation Reauthorization can help fulfill the goals of the Clean Air Act to clean up our air, or contribute to those efforts.

There are three questions that you have been handed earlier:

How do the Clean Air Act Amendments of 1990 require change in transportation decisionmaking in metropolitan areas?

How will noncompliance areas be affected if they are not able to transfer Federal assistance between highway and transit uses?

And what changes in Federal transportation legislation are appropriate to advance the purposes of the Clean Air Act?

Who would like to start that? Yes.

Mr. ROBERTS. Let me try and start with the last question.

It seems to me that this is the time, this year, in this legislation for Congress to put its money where its mouth is.

I mean, they articulated what we believe to be a very strong and challenging set of requirements for metropolitan communities in order to clean the air and make it safe to breathe, which we have strongly supported.

Unfortunately, unless something is radically changed in the administration's proposed transportation bill, the money will flow ironically to areas that do not have nonattainment problems.

Attached to the last page of my testimony was an analysis of the National Highway Program and how those funds are allocated among the States.

This is based on the Highway Administration's own estimates of who would get what over the course of the 5 years of their proposal.

That program, as I indicated earlier, is over 40 percent of the whole tab.

The U.S. average allocation per person is $33.41.

Ironically, the States with the most severe air quality problems like New York, New Jersey, Pennsylvania, California, and so forth, receive less than $25 per person.

So I think that as an indication of where the moneys are actually going to flow, it is critically important to understand that we have to direct the funds initially to those States with nonattainment problems.

Then I think second, and this point has been made repeatedly, that the money, once it gets to the State, has to flow to the metropolitan areas in a way that they can use it.

Unfortunately, once again, as was pointed out earlier, the National Highway System is a series of lines on a map, only 10 or 15 percent of which will be in urban areas.

So even if the money is more equitably distributed among the States, it is pretty clear to me that there will not be a lot of money going to urban areas for that program.

Then finally is this flexibility point we keep talking about.

Once again, looking at the National Highway Program as an example in the President's bill, you have a problem where you can only spend the money, even if you do get it to your metropolitan community, on the lines on the map.

So that even if you want to use the money for some transit purpose or other purpose, you are really constrained.

Now there is some flexibility in the program to allow shifts, but once again it is very clear from reading the President's proposal that you take a hit.

You have to come up with a greater share of your money if you want to use those funds for transit or other purposes.

Then finally I think is this whole point about incentives.

We created a very strong set of incentives in the Clean Air Act with some fairly Draconian penalties if you fail to follow through to clean the air.

It strikes me as deeply ironic that the President should propose a piece of legislation where you are actually penalized for doing the right thing under the Clean Air Act, both with respect to the National Highway Program and its means of allocating moneys based largely on gasoline consumption, so that once again if you do the right thing by virtue of the Clean Air Act you will be penalized.

The same thing, ironically, is true with the urban-rural program.

The one segment of the President's proposal that provides for flexibility funding is based on how much you pay into the Highway Trust Fund, which in turn is based on how much gasoline you consume.

So that the irony is that for States like California which are going to be implementing aggressive programs to change the way and the kinds of fuels that are used in vehicles, and also to try and reduce vehicle congestion generally, they will actually receive less and less money from this flexible pot.

So to us it is a proposal that has turned the Clean Air Act and its requirements on its head and it really needs to be restructured dramatically, in our view, in order to achieve any remote possibility of achieving the requirements set forth in the Clean Air Act.

Mr. **Francois**. I would like to respond on a couple of issues. The administration proposes a formula for distribution under the highways system that is based on fuel consumption, which is a surrogate for VMT miles of travel, which is an engineering surrogate for the wear on the highway system. So the attempt is to try to distribute highway money in accordance with the physical needs of the highway system as determined by how fast it wears out, what kinds of vehicles are on it.

Now when you get through with all that, that winds up to be VMT or fuel usage, which are one in the same thing. And unless we come up with a whole different theory, it's going to be difficult to change that.

Now you can go back to the old formulas that currently exist, postal road mileage and a few things of that kind if you want to. I hope not. We are open to new ideas and I know Carl has some ideas that might be used. But I don't want the fuel consumption issue to take the bum rap. It is not fuel we are measuring, it is wear on the system that is being measured from the engineers' viewpoint.

Now engineers are not economists, not PR people, so these things don't always come out right. But the more basic question is should we be using fuel at all to fund highway systems any longer? We have some very serious issues that are raised because of the clean air bill, because of the mandated fuels portion of that bill, and the alternate fuels issue.

We are entering an era over the next 5, 10, or 15 years, where several things are going to happen. We are going to see vehicles on our roads that are using conventional taxed fuels that will be giving widely different miles per gallon, anywhere from 20 to 30 for some to 70 or 80 for others. So the same vehicle, depending on the fuel that it uses, will be paying say 3 times as much in user taxes as other vehicles, or it may pay none if it burns a fuel such as compressed natural gas, which we are not now taxing, don't really know how to tax, or electrical vehicles which generate their power at some power station somewhere else. How do we measure that?

So we, we within AASHTO, think the time has come to take a serious look at how we fund the highway and transit infrastructure itself. We think we should break away from fuels toward some new funding mechanism, whatever it might be, and maybe it simply is road pricing. Direct road pricing is one approach for example. Toll facilities clearly go in this direction.

But, in any case, to link fuel usage the way we have is creating a lot of problems and it will create a lot more.

And then, if you were to separate those two things, you can establish fuel policies as you want to establish them. And of course the ultimate goal of this is to get a fuel that is nonpolluting so the fuel is no longer the issue, so that air pollution itself is no longer an issue. The traffic congestion issue remains, of course, and we still have to deal with that.

But I just wanted to make those points, that the fuel issue is the big one and the Congress may want to ask for some studies in this area. We are doing some and I know FHWA and I hope the U.S. DOT is, but it needs to be looked at.

Ms. Rubach. Mr. Chairman, we need to thank you for the opportunity to be candid with you about some of the issues we face. But I also think we should go back to the goal of why all of us have taken the past 2 or 3 years to try to work together to reach some consensus.

This legislation and the combined surface transportation and clean air and other legislations that came down this past year or in the year to come are the opportunity for Congress to set a vision for the next 30 years.

And I have a concern here that we are getting a little bit bogged down in an analysis of today rather than a vision for tomorrow. And I would ask that the staff, which I think has done an excellent job of starting to articulate what could be—and we don't even know what is out there. If we look 30 years back, I don't think Eisenhower ever envisioned the kind of transportation system we have today.

I think the flexibility, some of the other things, Mr. Roberts spoke to the message that you send, the contradictory message you send when you talk about gasoline consumption being the benchmark for how much money you get back. And in the case of Maricopa County, which is under mandates to reduce some of those things, the exact scenario that he outlined will be in effect in Maricopa County, sort of undermines your ability to meet the clean air standards because it is a Catch-22 in the way that it is set up.

And unless we take and create a new way of looking at things we are doomed to failure. If our goal is to move people and not cars, we have got to dump the vehicle miles traveled—VMT—formulas. We have got to go to passenger miles traveled—PMT—formulas. We have got to go to some new vision of what our goal is. And everything that Frank has talked about and the engineering that was done, all of those formulas were 1950's, 19—you know, it was based on highways, not on transit, not on airports, not on perhaps what could be something coming that we can't even envision right now.

Let's not stay mired in the past when it is not going to get us to where we need to be in the future.

Thank you for the opportunity to be here.

Mr. **Kochanowski**. One comment about the Clean Air Act, Mr. Chairman. I think the Clean Air Act has in store for us as planning groups in the group that I represent conflicts and conditions that we would never envision at this point. And by that I mean that the Clean Air Act objectives by its very nature are contradictory with many of the objectives that urban areas have in their visions of growth and development and the like.

I am not saying whether that is bad or good. I am simply saying that in the planning process for it we have to seriously consider a process that is going to really reflect those conflicting interests in a way that enables us to make decisions about it. If we don't do that, we stand in danger of doing the planning to meet the requirements for the Clean Air Act in various muddle offices and bureaucracies and maybe more in the course than we do around the common interests at the table.

And I think that we have got to think in terms of how we can bring these various interests to bear in a planning process. That is one of mutually seeking solutions and making tradeoffs rather than having two separate sets of national objectives, perhaps one being more national and one being more local.

And I see real dangers unless we create those kinds of processes. For example, what I mean specifically is if you look at the Clean Air Act, EPA is now more in the driver's seat of making the decisions about transportation in many respects on the modeling and the forecasting and the decisionmaking process. That has harsh consequences for many projects, both in highway and transit envisioned in many areas and there are going to have to be many compromises made and I am concerned that those compromises be made in the process of mutual cooperation rather than conflict and in the courts.

Mr. **Diridon**. I join Peggy in complimenting you and your committee for allowing this discussion to occur.

As you know, in the bay area of California, we have just been through a very arduous legal action sponsored by some of Mr. Robert's clients. And I say, fortunately—Mr. Specter's clients; I'm sorry—very fortunately because it did bring to the attention of the San Francisco Bay area the kind of requirements that were—that are going to fall upon us with the new Clean Air Act of California and the Federal Clean Air Acts. It is now law, as interpreted by the court that we cannot approve growth-producing highway projects in the bay area. We cannot expand highway capacity significantly in the San Francisco Bay area. It has been handed down by a Federal court judge.

And as a consequence, when highway money comes into the bay area, it either is not going to be spent or is going to be tied up in court for a long, long time, and it may be ultimately spent after very difficult reviews and probably not for growth-inducing projects.

That being the case and knowing that the bay area is one of the fastest growing areas in the United States, we are going to have to see more money flexible. We can't just go for the small portion of the highway pie that is in the flexible category if we expect to be able to provide all of the transportation requirements in the future of the bay area on transit. There won't be enough money.

And so please consider the possibility of either making more of the highway pie part of the pie flexible or—and/or creating more transit funding. And I don't mean to—stopping the maintenance of the highway system. We know that is necessary and we support that. We even support the interconnection of missing links. But to increase capacity in any significant way isn't going to be allowed in because of this court case in any serious nonattainment area, and serious is defined in the law.

And let me tell you, L.A., Baltimore, Chicago, New York, Houston, are all—Phoenix—are all serious nonattainment areas and, as a consequence, it is just a short time now before the courts will stop major highway capacity expanding projects and then we are going to be sitting in a position of having highway money available we can't spend that is not flexible, transit projects that could go ahead if we had flexible funding, and without the ability to reach that flexible funding.

Senator **Cranston**. Before we end, is there any area that any of you feel we haven't touched upon that we should?

If not, let me say this: I hope you all feel that this format is a very productive one. I think it is. The interchange works very, very well in contrast to the normal procedures.

I would like to give each of you an assignment now, if I may. Please review the staff discussion draft, that I believe you all have copies of, in detail. The ideas in it have emerged from discussions like this and other talks that we have had with numerous transit leaders from all parts of the country.

But we need to refine those ideas into legislation quite soon now. We would like the opportunity to work with each of you, so please give us your suggestions for improvement. If you can do it by the end of next week, that would help us keep to the timetable that we are working by.

I thank you all very much for your participation. It has been pleasant, productive, and I am grateful for each of you coming to us and giving us your thoughts and for joining with us in this effort.

Thank you all very much.

We stand adjourned.

[Whereupon, at 12:32 p.m., the hearing was adjourned.]

Washington Office
Fran Du Melle, Director
1726 M Street, N.W., Suite 902
Washington, DC 20036-4502
(202) 785-3355
FAX (202) 452-1805

AMERICAN LUNG ASSOCIATION®
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April 5, 1991

The Honorable Alan Cranston
Chairman
Subcommittee on Housing and Urban Affairs
Committee on Banking, Housing, and Urban Affairs
Room 535 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

The American Lung Association and its medical section, the American Thoracic Society, requests submission of the enclosed statement for the record as your subcommittee holds hearings on April 10, 1991 on reauthorization of the Surface Transportation Assistance Act. The ALA/ATS supports increased funding for public transportation and urges your continued leadership in this area.

Please do not hesitate to contact our Government Relations Office should you need further information regarding the health effects of outdoor air pollution.

Sincerely,

Fran Du Melle
Fran Du Melle
Deputy Managing Director

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(202) 785-3355
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Statement of the American Lung Association/American Thoracic Society In Support of Increased Funding For Public Transportation Submitted To The Senate Subcommittee On Housing and Urban Affairs' Hearing On The Reauthorization Of The Surface Transportation Assistance Act// April 10, 1991

The American Lung Association and its medical section, the American Thoracic Society, strongly support increased funding for public transportation as the Senate Subcommittee on Housing and Urban Affairs holds hearings today on reauthorization of the Surface Transportation Assistance Act. The ALA/ATS is part of the Transit NOW Coalition, which comprises over 150 organizations throughout the nation and continues in the forefront as advocates for public transportation.

The problem of outdoor air pollution continues to pose a significant public health threat to millions of Americans. The ALA/ATS believes that the increased use of public transportation-- and less reliance on single-passenger vehicles -- would mean less air pollution. The American Lung Association estimates, based on a 1990 ALA study entitled, "The Health Costs of Air Pollution," that the annual health costs of exposure to outdoor air pollution is approximately $20 billion in the United States from motor vehicle emissions alone.

Elderly individuals, pregnant women, children, and individuals suffering with lung and heart disease are the most vulnerable to the harmful effects of outdoor air pollutants. An estimated 146 million Americans -- approximately 60.5 percent of the resident U.S. population -- live in communities that have failed to attain National Ambient Air Quality Standards (NAAQS). Many of these areas comprise our inner cities where the emphasis on increased use of public transportation is critical.

The Administration's Fiscal Year 1992 budget proposes less than the $3.2 billion appropriated by the Congress for public transportation in Fiscal Year 1991. The support of the Subcommittee is needed in ensuring an increase in federal funding beyond the Administration's proposal is much needed.

Increased usage of public transporatation is in the best interest of public health. The ALA/ATS urges the Subcommittee to examine the needed for increased federal funding in this area.

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April 16, 1991

The Honorable Alan Cranston
Chairman, Senate Subcommittee on
Housing and Urban Affairs
535 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Cranston:

At the last minute I find that I will be unable to be present on April 17, 1991 at the roundtable you have organized to discuss the reauthorization of public transportation legislation. I had looked forward to participating and hope that I may be included in one of your future sessions.

I have notified Senator Sarbanes' office and asked that they provide you with a copy of the remarks I would have presented, for the record.

We who are responsible for operating he nation's public transportation systems are most appreciative of your strong and useful efforts to inform the Congress of the issues facing us and the urgent need for adequate transit funding.

Sincerely,

Ronald J. Hartman,
Administrator/General Manager

Attachment

cc: **O. James Lighthizer**

STATEMENT BY RONALD J. HARTMAN ADMINISTRATOR/GENERAL MANAGER OF THE MARYLAND MASS TRANSIT ADMINISTRATION ON THE REAUTHORIZATION OF THE FEDERAL MASS TRANSIT PROGRAM

On behalf of the Mass Transit Administration of the Maryland Department of Transportation, I am pleased to submit herewith our views on the reauthorization of the federal mass transit program.

The Maryland Mass Transit Administration is unique because it is one of the very few public transportation agencies which is owned and operated by state government. Maryland is fortunate in having a dedicated trust fund for all modes of transportation.

In general, we favor reauthorizing legislation based on modifications to the existing programs rather than on attempts to restructure the entire federal transportation system partnerships. We believe that the basic structure of the UMTA programs is sound. However, we recommend a number of changes which would be beneficial not only to transit systems in Maryland, but in the entire nation.

1. **Operating Assistance**

   Federal Operating Assistance for all urbanized areas, not only those with a population of under one million, should continue. This program should be funded at no less than the current annual level of $800 million. The large urban areas have the greatest need for mass transit, and the Baltimore Area would lose almost $10 million in federal operating aid.

2. **Federal/Local Cost Sharing**

   The Administration proposes to reduce the federal share for formula grants from 80 percent to 60 percent. Such a move would double the local share from 20 percent to 40 percent at a time when most state and local governments are facing serious financial shortfalls. In addition, these funding reductions would take place as transit systems are faced with costly new federal requirements mandated by the Clean Air Act and Americans with Disabilities Act. These two recently enacted laws will improve the quality of life, but there are major costs involved for which the federal government has an obligation to contribute.

3. **Funding Sources**

Currently transit programs are funded from both the Mass Transit Account of the Highway Trust Fund and from General Fund Revenues. The Administration proposes to eliminate all General Fund support for transit except for Washington Metro, and spend down funds from the Mass Transit Trust Fund. At the end of the proposed five year reauthorization period, there would be little left to fund the transit programs in the future. This would force a major reduction in the transit program unless there were a transit-dedicated increase in motor fuel taxes.

The Transit Trust Fund was created to supplement general funds for transit, and not to replace them. The reauthourization should continue support from the General Fund of the current amount of $2 billion annually, with increases in the program from the Trust Fund.

4. **Interstate Transfer**

The Interstate Transfer -Transit Program has been beneficial in a large number of cities and states wanting to build major transit projects with substitute funds made available by the withdrawal of non-essential segments of the interstate highway system.

Maryland has used this program extensively to fund the second and third phases of the Baltimore Metro, as well as important sections of the Washington Metro. In addition, the use of Interstate Transfer funds by

Maryland has enabled other jurisdictions to use scarce Section 3 New Starts funds for their projects.

Now that the Interstate Transfer-Transit Program is winding down, it is important that it not be forgotten in the reauthorization. The Administration proposes to fund this program at an annual level of $160 million for FY 1992 and FY 1993. At the end of FY 1993 this program would be completed. We strongly support this part of the Administration's reauthorization proposal.

5. **Rail Modernization**

Historically, Section 3 Rail Modernization funds have been distributed to the eight older rail recipients in this county. A need is developing for rehabilitating and upgrading rail transit systems built in the 1970's and 1980's such as Atlanta, Baltimore, and Washington, among others. These systems have not received Rail Modernization funds.

The time is now arriving when these newer systems need funds in order to avoid the costly consequences of deferred maintenance experienced in systems such as New York and Philadelphia.

We favor placing most of this program on a formula basis rather than entirely discretionary as at present. Discretionary rail modernization funds will continue to play a major role in Maryland--both for the Maryland Commuter Rail (MARC) service which is experiencing rapid ridership growth and for its rail transit lines. Therefore we recommend that discretionary Rail Modernization funds should be retained.

6. **New Starts**

It is encouraging that the Administration's proposal includes discretionary funding for New Starts and extensions to existing systems. However, the funds requested for FY 1992 are $140 million less than in FY 1991. The expansion of fixed guideway systems proposed for a larger number of areas will require funds significantly greater than the $300 million which UMTA is recommending. The Maryland Mass Transit Administration will rely on Section 3 New Starts funds for the three extensions to the Central Light Rail Line.

We would be receptive to a lower federal match of 75 percent if the larger local commitment would permit federal regulatory burdens to be reduced. As an example, it would be helpful if the Congress were to include statutory language in the new bill which exclude the acquisition of transit vehicles for existing systems from environmental impact statement requirements.

7. **Section 18 Rural Assistance**

The Section 18 Rural Assistance Program is extremely important to the elderly, the disabled, and other transit-dependent groups. Maryland has a very comprehensive program for non-urban and small urban areas in the State. It is encouraging that the Administration is proposing a 37 percent increase in the Section 18 program for FY 1992.

We appreciate the opportunity you have given us to present this testimony on the reauthourization of the mass transit programs, and will be happy to provide additional information to the Committee during the legislative process.

FLORIDA **DEPARTMENT OF TRANSPORTATION**
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[illegible]

Testimony of
Ben G. Watts, P.E.
Secretary of Transportation
Florida Department of Transportation
605 Suwannee Street
Tallahassee, Florida 32399-0450
(904) 488-3054

before the
Subcommittee on Housing and Urban Affairs
Committee on Banking, Housing and Urban Affairs
United States Senate

Thursday, April 18, 1991
Washington, D. C.

Mr. Chairman, it is my pleasure to appear before you today to present the views of the Florida Department of Transportation (FDOT) concerning reauthorization of the federal surface transportation programs. This committee is to be commended for conducting these hearings at such a crucial time in the history of our national transportation programs. While the completion of the Interstate Highway System is providing the impetus for a comprehensive review of our surface transportation programs, the timing couldn't be better to recognize the importance of transportation in not only meeting the mobility needs of our nation, but its growing importance to our economy and international competitiveness.

My testimony will address three areas, Florida's public transit needs, what we are doing to address those needs at the state level, and FDOT's recommendations for changes in the federal transit program.

As the third fastest growing state by percentage and second in absolute numbers, Florida faces the challenge of moving not only its own people and goods more efficiently, but also the 40 million visitors we share our state's natural beauty with each year. We lead the nation in the highest ratio of automobiles to residents with 12 automobiles for every 10 residents. In fact, our automobile fleet has been growing by over 250,000 cars per year. It is apparent that simply building more highways is not the answer to Florida's exploding transportation demands.

Public transit in Florida, as elsewhere, now means more than just conventional urban bus systems. Fixed guideway systems include light rail, heavy rail, commuter rail and automated guideways. Commuter assistance programs include ridesharing arrangements and transportation demand management strategies such as the formation of Transportation Management Associations and the provision of park and ride facilities. Paratransit and transportation disadvantaged services are also provided.

Our most recent assessment of public transit financial needs over the next five years in Florida far exceeds the current resources provided through the combination of federal, state and local funding sources. Of the nearly $4 billion of projected transit capital and operating needs, approximately $2 billion is unfunded. While we do not expect the federal government to make up the entire shortfall, the need for substantial federal involvement is clear.

Last year, the Florida Legislature took a major step in addressing the state's transportation needs with the passage of comprehensive state transportation legislation . This legislation provided the largest transportation revenue increase in Florida's history. Under the new law, a minimum of 14.3% of state revenues in the State Transportation Trust Fund will be used to fund current and new projects in the aviation, transit and rail programs. Program levels will increase by 76%, from $625 million to $1.1 billion over five years. Florida's transportation programs now extend to ports, commuter rail, high speed rail and a new intermodal development program. Two charts showing the five-year public transportation program levels are attached to my testimony.

A new public transit block grant program will provide state matching funds (approximately $180 million over five years) for transit capital projects and non-labor operating costs. Fifteen percent of these funds (or approximately $27 million through FY 1995-96) will be distributed to community transportation coordinators through the state's Transportation Disadvantaged Commission. I would emphasize that in rural areas of the state, transportation disadvantaged services represent the only form of public transportation available to Florida citizens.

As a condition of the new block grant program, transit performance evaluation procedures are also being developed which will provide us with the means to evaluate the effectiveness of our transit investments. Preliminary findings of this effort which the Committee may find of interest are:

- The amount of transit service available in Florida has increased at a rate greater than state population growth.
- Florida's transit systems have shown substantial progress in controlling growth in operating costs.
- Safety and reliability of transit services have significantly improved for Florida's transit systems.

Unfortunately, transit use in Florida remains below levels in many other parts of the country. Through public information, careful service design, aggressive land-use policies, and public commitment, we believe transit use will improve.

Another provision of the block grant program requires transit systems to prepare and annually update transit development plans that demonstrate coordination between transit planning, land use planning and MPO transportation planning.

The Department has also recently adopted a Capital Investment Policy for Major Public Transit Projects which includes a designated transit corridor concept. This concept is intended to enable areas to evolve towards conditions where the urban design, land use decisions, density and activity mix, infrastructure investment, and public attitudes and policies support significant transit use and ultimately a fixed guideway system. An explanation of this program is attached.

Mr. Chairman, while Florida has a comprehensive and progressive transportation effort underway, we cannot meet the needs I have identified alone. The federal involvement which began in 1916 for highways and 1964 for transit must be strengthened and streamlined if we are to meet the transportation challenges of this decade and the 21st Century.

The Florida Department of Transportation offers the following recommendations for reauthorization of the Urban Mass Transportation Act:

- **Spend Down the Mass Transit Account Balance** - The $7 billion balance in the Mass Transit Account of the Highway Trust Fund at the beginning of this fiscal year is expected to grow to nearly $9.5 billion by the end of fiscal year 1992. These dedicated funds are desperately needed to compliment the increasing commitments of state and local governments.

- **Continue General Fund Support for Transit** - The identified transit needs warrant a continuation of General Fund revenues for transit. To further supplant these funds as occurred with the creation of the Mass Transit Account, will send a signal that we are not really serious about transit's contribution to our nation's mobility needs.

- **Increase Formula Transit Funding** - Existing UMTA programs, both discretionary and formula, should be continued at current funding levels. Increased funding, which can now be supported by the 1.5¢ per gallon of motor fuel taxes dedicated to transit, should be distributed by a formula based on each state's population.

- **Provide a Uniform Federal Share** - Reauthorization of the federal surface transportation programs should eliminate bias toward any particular mode of transportation by setting the same federal share of funding for all modes. The FDOT advocates an 85% federal share for both highway and transit projects.

- **Continue Operating Assistance -** The operating assistance caps currently applied to transit programs should be eliminated and all areas now eligible to receive operating assistance should continue to do so.

- **Expand the Use of New Starts** - The Designated Transit Corridor Program as developed by Florida should be expanded to a national effort within the New Starts portion of the UMTA Section 3 program.

- **Provide Greater Program Flexibility** - States should have greater flexibility to transfer funds between programs and to fund both public and private agencies. For example, Section 16(b)(2) funds (the capital assistance program that provides transportation services for elderly and handicapped persons) should be available for leasing or outright acquisition of vehicles for public agencies.

- **Develop National Standards for Securement Devices** - At present, there is no single securement device or wheelchair tiedown that will permit all mobility devices in common use to be carried in reasonable safety. The Americans with Disabilities Act of 1990 requires public transit systems to be able to accommodate any "mobility device" in common use. National standards for securement devices are needed to resolve this problem.

- **Simplify R & D Programs** - The UMTA Research, Development, and Demonstration programs (e.g. Section 4(i) and 6) should be consolidated and funded at 3% of the total program. Training programs should likewise be consolidated.

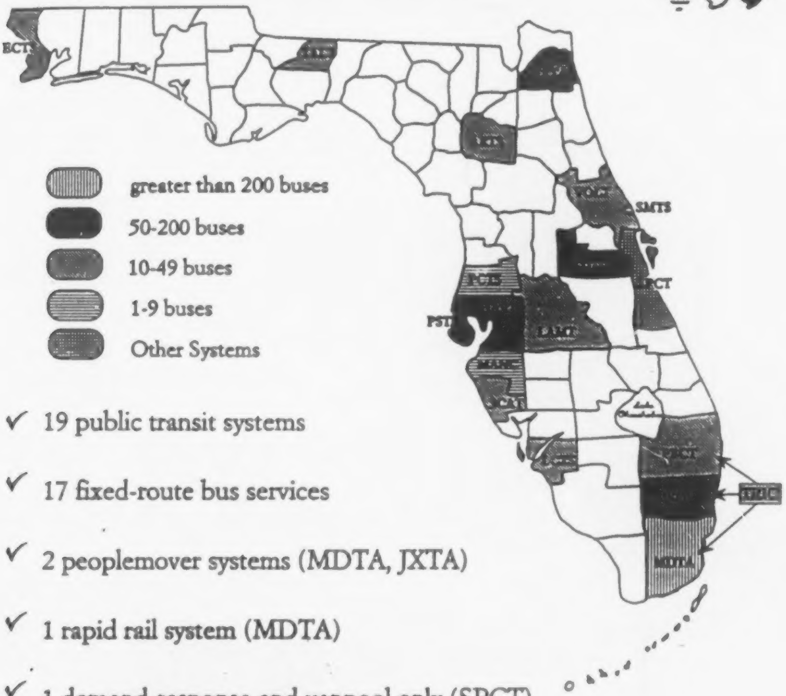
- **Afford Transit Commuters the Same Tax Benefit** - Transit users should be afforded the same tax exempt fringe benefit status as is enjoyed by automobile users who receive free employer provided parking.

Mr. Chairman, the Florida legislature is now considering action to place high speed rail activities under the control of the Florida DOT. While I recognize that high speed rail issues are not under your Subcommittee's jurisdiction, this public transportation issue is of sufficient importance that I would like to offer two brief comments on this subject.

First, we praise a provision found in the Administration's proposal which would permit the flexible use of highway funds for the acquisition of transportation corridors for high speed rail or more traditional uses. Secondly, however, we regret to learn that a provision providing funds for high speed rail grade separations, which was originally in the U.S. DOT's bill, was removed at the direction of the Office of Management and Budget. Consequently, we urge the Congress to restore this provision so vital to ensuring the viability of high speed rail transportation.

CONCLUSION - Public transit will play a critical role in our nation's future. While the automobile will remain the dominant mode of transportation, it is abundantly clear that we cannot build enough highways to accommodate all travel demands. Further, the interrelated needs of providing mobility for the transportation disadvantaged, conserving our energy resources and protecting our environment require that we consider the inherent advantages of each mode of transportation. State and local governments have substantially increased their commitments to public transit. A similar commitment of the Federal government is now necessary if we are to maintain the level of mobility our citizens presently enjoy. The Florida Department of Transportation offers its continued support to this committee as it fulfills its responsibility to define the future federal transit program.

Florida's Transit Systems

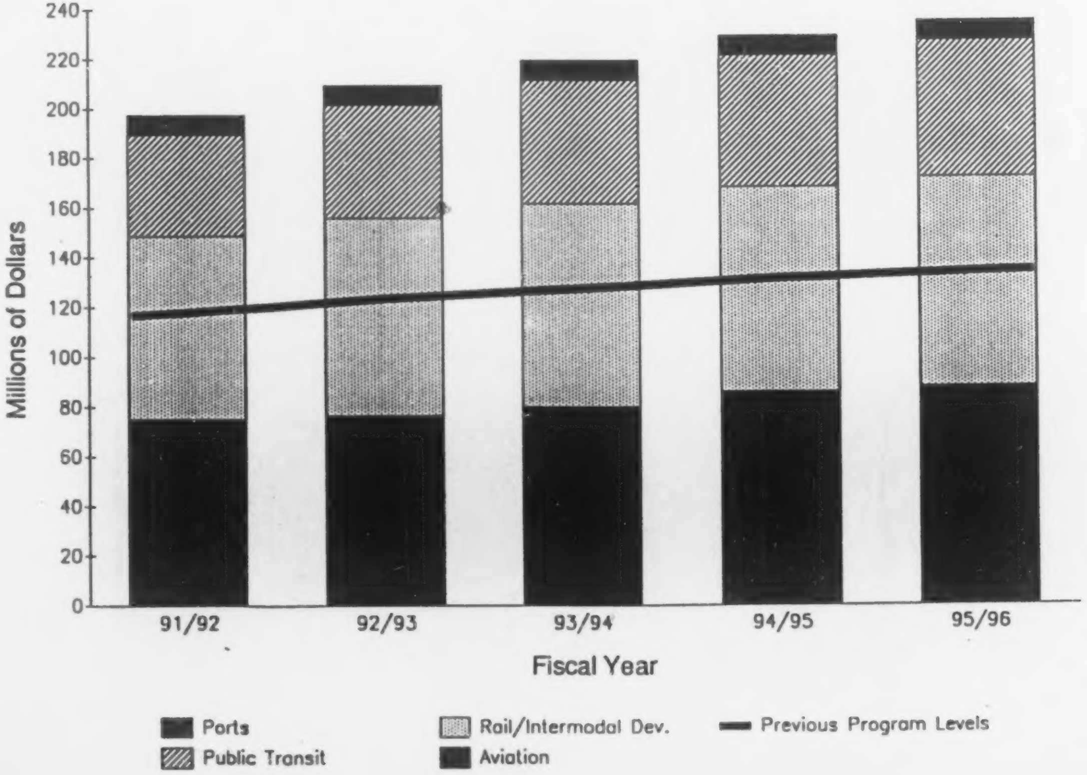

ECTS
SMTS
PCT
PSTA
LAMT
MANC
SCAT
PBCT
TRIC
MDTA
greater than 200 buses
50-200 buses
10-49 buses
1-9 buses
Other Systems

- ✓ 19 public transit systems
- ✓ 17 fixed-route bus services
- ✓ 2 peoplemover systems (MDTA, JXTA)
- ✓ 1 rapid rail system (MDTA)
- ✓ 1 demand-response and vanpool only (SPCT)
- ✓ 1 commuter rail system (TRIC)

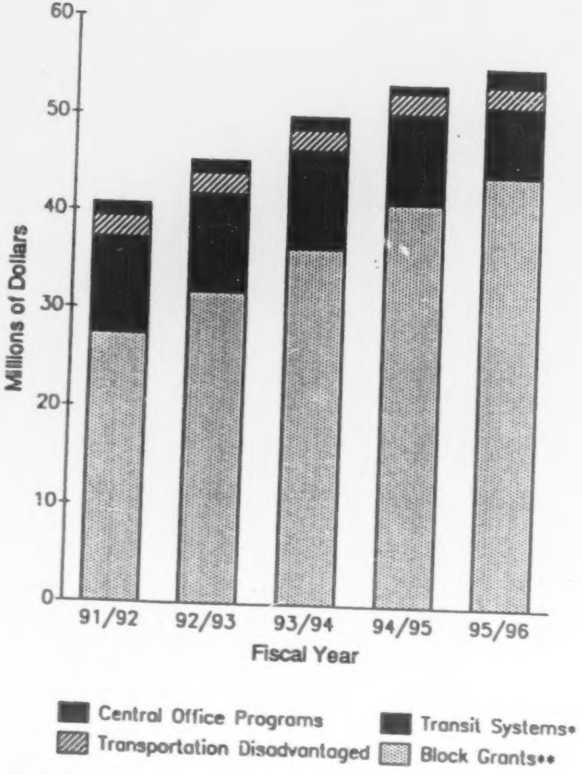
MDTA	Metro-Dade Transit Agency	VOLT	East Volusia Transit Authority
BROW	Broward Transit Division	ECTS	Escambia County Transit System
JXTA	Jacksonville Transportation Authority	LCTS	Lee County Transit Authority
HART	Hillsborough Area Regional Transit	SCAT	Sarasota County Area Transit
PSTA	Pinellas Suncoast Transit Authority	LAMT	Lakeland Area Mass Transit District
OTCT	Tri County Transit (Orlando)	MANC	Manatee County Transit
PBCT	Palm Beach County Transportation Authority	SMTS	Smyrna Transit System
TALT	Tallahassee Transit Authority	PCTS	Pasco County Transit System
ARTS	Regional Transit System (Gainesville)	SPCT	Space Coast Area Transit
		TRIC	Tri-County Commuter Rail Authority

Funding

Public Transportation Program Levels



Public Transit Program



- **Capital Investment Policy for Major Public Transit Projects**
  - Major Projects (Rail, Fixed Guideway)
  - Criteria for State Investment
    - *Qualification for Federal Funding*
    - *Public Benefit*
    - *Local Financial Commitment*
    - *Coordinated Local Planning*
  - Designated Transit Corridors
  - Report to Legislature by March 1, 1991
- **Block Grant Program**
  - Local Discretion
  - Conditions for Eligibility
    - *Non-Labor costs only*
    - *Performance Measurement*
    - *Coordinated Local Planning*
  - 50% Match

* Includes the following programs: Transit Corridors, Service Development UMTA Section 18, Commuter Assistance

** 15% of Block Grants are transferred annually to the T.D. Commission

Appendix I

DESIGNATED TRANSIT CORRIDOR PROGRAM

Introduction

The designated transit corridor concept involves an urban area designating a particular corridor or corridors as transit priority corridors. This designation would signal policy and resource commitments to the corridor which would result in better transit service and conditions more conducive to transit. The concept is intended to enable areas to evolve toward conditions where the urban design, density and activity mix, infrastructure investment, and public attitudes and policies support significant transit use. This designation would be an initial step toward the development of a corridor that may ultimately support a fixed guideway transit operation.

This program is specifically designed to recognize the fact that most of Florida's urban areas and transportation infrastructure were developed during the auto age and reflect densities, parking availabilities and roadway investments that are typical of areas highly reliant on autos. Many of these areas, while not yet having the conditions that can cost effectively support capital intensive fixed guideway transit facilities, are nevertheless, facing pressures from rapid growth and roadway congestion and are cognizant of the benefits from greater use of public transit.

The concept of designating a high priority transit corridor(s) is intended to begin to capture the benefits of making a commitment to transit well in advance of when the corridor(s) would be eligible for state or federal capital intensive fixed guideway investments. This approach can help to avoid premature capital investments that suffer from low cost effectiveness and reduce the risk that transit capital investments will be made in locations where they will not be fully utilized. The concept allows transit capital and service investments to be timed to more closely correspond with traveler demands for transit services. In addition, improvements made under this program can begin delivering better transit service in advance of the very long lead times typically required for more capital intensive fixed guideway projects.

Transit Service Improvements for Designated Transit Corridors

The designated transit corridor program would involve a strong local commitment to a package of transit improvements in the designated corridor. This package, designed for the needs and conditions in the corridor, might include a variety of elements such as those outlined below:

Transportation service improvements:

Expanded hours of bus operations, greater service frequency, and better route coverage. Better interface with intersecting and feeder service possibly including timed transfer locations. Additional attention to rideshare and other programs encouraging non-single occupant auto use.

Additional amenities:

More route signing, more shelters and schedule information. Sheltered waiting areas in high demand locations, nicer buses such as over-the-road coaches with high-backed seats, reading lights, luggage racks and cloth upholstery.

Special publicity:

High profile treatment of the corridor such as designating the corridor the red, green or blue line analogous to rail route designations. Using specially painted or otherwise easily identifiable vehicles and bus stop signs. Some type of route flagging, lane marking or other treatments to give the corridor a specific identity. Creative marketing based on a sound understanding of the market conditions will be an important component of the designated corridor program.

Supporting infrastructure investments:

Park and ride lot construction, roadside bus bay loading areas, signal timing improvements and possibly bus signal prioritization. Designation of arterial bus lanes and possibly construction of special ramps, turn lanes or other roadway improvements to enhance bus service. Various Transportation System Management (TSM) improvements as appropriate should be considered for the corridor.

Supporting land use and urban design policies:

Lowered parking space requirements for new buildings, preferential parking for high occupancy vehicles, higher densities, tolerance of lower levels of service on the roadways and possibly design reviews of new development to insure that it is conducive to transit service accessibility. Encouragement of Transportation Demand Management (TDM) techniques in the corridor to involve the public and private sectors in addressing transportation problems.

Planning and investments to facilitate subsequent fixed guideway:

Securing or protecting right-of-way that may later serve a fixed guideway facility, requiring setbacks that would facilitate a fixed guideway facility, and securing land for park and ride and car-pooling at locations that may subsequently be good fixed guideway station locations.

Corridor Eligibility for Designated Transit Corridor Status

In a process analogous to that for eligibility for fixed guideway alternatives analysis study, corridors proposed for designated transit corridor status will be required to qualify in several areas.

Be the highest priority corridor(s) for non-fixed guideway transit development: Each urban area should concentrate its efforts on a corridor(s) which would insure adequate resources and policy commitment. A corridor(s) may be in addition to a corridor for which a fixed guideway alternatives analysis study is being pursued or may exist absent any concurrent study of fixed guideway. Requests for designating multiple corridors in a given urban area would only be considered when adequate resources and policy commitment can be clearly demonstrated and assured for each corridor designated.

Existing transit ridership levels: To evidence transit potential in a corridor the existing volumes on public or private transit should be in excess of 5,000 passenger boardings on an average weekday. This level of demand will insure a base market to benefit from the additional transit investments and provides evidence that the basic market characteristics for transit are present though not at a level adequate to currently justify fixed guideway consideration. Consideration will be given to other corridors where extensive multi-occupant vehicles, significant recent increases in transit use or other conditions evidence a strong transit growth potential. Information on the ridership history for the corridor and the response to prior service improvements or initiatives should be provided.

Consistency with regional plans and priorities: The relative priority of planning and investment in the candidate corridor should be supported by regional system wide plans. The transportation problems and land use conditions in the corridor should be supportive of the designation of the corridor as a designated transit corridor. While a specific quantitative threshold is not proposed to be established, the "consistency" test should include information about:

- Current and forecast land use and demographic characteristics
- Current and forecast transportation demands
- Current and forecast transportation system conditions

A program of candidate service improvements and investments: The initial application for designation of a transit priority corridor would include a list of service improvements, policy initiatives and investments that merited more detailed analysis in subsequent implementation planning efforts. This preliminary program of improvements would itemize the types of improvements that would be further studied for the corridor. Improvements from each of the improvement areas detailed above would be indicated as meriting additional planning if appropriate for the candidate corridor.

The Application Process and Funding of Designated Transit Corridors

The process for designating a transit corridor is outlined in figure 1. The sequence of steps is similar to that for fixed guideway planning. Detailed descriptions of the requirements would be provided in subsequent administrative procedures.

The technical information to support the application would be developed from the regional systems and corridor transportation studies as well as from the TIP and long range transportation and land use plans.

Funding for the designated corridors would have several unique characteristics.

> The financial program would be for an initial five year period subject to local compliance with the conditions outlined in the initial application and subject to funding availability. The failure of the local supporting policies to be put in place could result in early cancelation of the commitments. This time frame should allow an opportunity for ridership response and for the impacts of supporting policies and programs to start to take place. The success in promoting transit use in the corridor would be a strong factor in considering a subsequent application for an extension of the program beyond the five year time frame.
>
> The State would provide up to a 50% match for capital projects but the state share of project costs would not be more than the local share (possible funding scenarios: 50% Federal, 25% State, 25% local; 50% State, 50% local; 75% Federal, 12.5% State, 12.5% local). The State match would apply to capital investments that support expansions of service and amenities for the corridor (regular replacement capital spending would be funded in the traditional fashion).
>
> In addition to providing capital support for the designated transit corridor facilities, the program would involve state support for operating costs. The state would provide up to $1 per revenue vehicle mile (up to 2 million dollars annually per designated corridor) of the operating deficit of the new service in the corridor.

As indicated in the Figure 1 process, a funding contract would be developed as a final step in the process.

Figure 1

Designated Transit Corridor Process

- Systems and Corridor Planning Identifies Candidate "Designated Transit Corridor"

- Application for Designated Transit Corridor
  - Existing travel demand/transit ridership profile
  - Documentation of consistency with regional land use and transportation plans
  - A program of candidate service improvements and investments

- State Review and Decision on Detailed Planning

- Preparation of Designated Transit Corridor Plan
  - Service and operations element
  - Facilities/investment element
  - Supporting policy and program element
  - Finance element
  - Marketing element
  - Performance monitoring element
  - Documentation of local adoption and support

- State Approval of Designated Corridor Plan

- State Funding Contract

- Implementation and Monitoring

Acting in the National Interest

The Transportation Agenda

Surface Transportation
Policy Project

Surface Transportation Policy Project

Steering Committee

America's Coalition for Transit Now!
American Institute of Architects
American Planning Association
Bicycle Federation of America
Campaign for New Transportation Priorities
Center for Neighborhood Technology
Energy Conservation Coalition
Environmental and Energy Study Institute
Environmental Consortium for Minority Outreach
Environmental Defense Fund
Friends of the Earth
National Association of Regional Councils
National Growth Management Leadership Project
National Trust for Historic Preservation
National Wildlife Federation
Rails-to-Trails Conservancy
Scenic America
Surdna Foundation, Inc.

Executive Committee

David Burwell
Jessica Tuchman Mathews
J. Jackson Walter
Sarah Campbell, *Project Director*

Host Organization

National Trust for Historic Preservation

The Surface Transportation Policy Project (STPP) is composed of organizations, coalitions and grassroots groups who believe that a comprehensive transportation policy—that serves environmental, social, and economic interests—is vital to the future of this nation. Formed in 1990, STPP represents both public and private entities who have interests in transportation investment and policy, environmental quality, energy policy, natural resource conservation, design quality, neighborhood and historic preservation, planning, and transportation safety. The project seeks to create a partnership between these independent, non-profit organizations, the private sector, and all levels of government.

STPP's primary objective is to ensure that federal support for transportation promotes clear national mandates for environmental quality, a strong economy, energy and resource conservation, and enhances the quality of life in neighborhoods and communities.

STPP recognizes that transportation services must support state, local, and private programs and projects as well as national goals. Its sole purpose is, therefore, to identify the common principles that underlie national transportation objectives and to frame public debate so that this nation's interests are fully served.

To that end, STPP supports all efforts that focus public debate on surface transportation policy issues. Specific activities of the Project include: research, briefings, workshops, discussion groups, and other efforts to inform public and private decisionmakers at all levels of government of the importance of transportation in shaping this nation's future.

The work of STPP is made possible through grants from the Nathan Cummings Foundation, the Joyce Foundation, the James C. Penney Foundation, the Pew Charitable Trusts and the Surdna Foundation, Inc. Any organization that subscribes to STPP objectives is invited to participate in Project activities.

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A country road in Charles City County, Va. Once the norm, roads such as this have become a thing of the past in many communities. (Photo Courtesy of Shelley Mastran.)

America and Mobility

Americans are industrialists and farmers, fishermen and factory workers, scientists and street-sweepers, bankers, bakers, shopkeepers, homemakers, teachers, telephone operators, truckers, and office workers. We are a nation of crowded city streets and breathtaking canyons, of suburban strip malls and untouched prairie lands, of congested freeways and picturesque country roads.

Two hundred years ago, this country was a vast, untamed wilderness. Its people were geographically dispersed—isolated by wide rivers, tall mountains, endless plains, and an uninhabitable desert. The country's economy was limited by the difficulty in delivering products and services over long distances.

The railroads tamed the wilderness and ended the geographic isolation of the American people. Fresh fruits and vegetables began to move from west to east in the dead of winter. Southern cotton was shipped north to textile manufacturers. Northern cloth, heavy machinery, and other goods found new markets. People moved everywhere. And America became a country reliant on transportation for its financial and social welfare.

Since the emergence of the railroads, every new form of transportation has been embraced and integrated into the American lifestyle. With the invention of the automobile, daily travel over increasingly long distances became an accepted—and expected—part of life. Workers no longer lived close to their workplaces—or to shops, restaurants, entertainment, medical services, and schools. Americans began to spend more hours and more money traveling and transporting goods than any other nation in the world.

Out of choice and necessity, we are now a country in continual motion. Transportation is critical to our welfare and economy. Planning and supporting this nation's transportation systems is, therefore, critical to the future of the country.

Putting Transportation into Perspective

After almost 200 years of building, the United States now has the most extensive transportation infrastructure in the world. When the federal Interstate system is completed in the 1990s, every region of the country will be connected through its network of freeways and bridges.

For all of this construction, however, this nation stands on the brink of a transportation crisis:

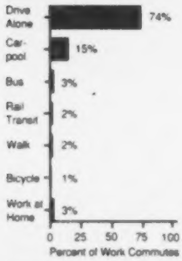
- Existing bridges, highways, transit, and rail systems are deteriorating at an alarming rate;
- Severe urban congestion is limiting economic productivity;
- Air and water quality problems are threatening the public health;
- Dependence on foreign oil is threatening national security; and
- Urban sprawl is eliminating productive farm lands and destroying forest growth patterns.

By September 30, 1991, the Surface Transportation Assistance Act—commonly referred to as the *Highway Act*—must be reauthorized by the Congress. This legislation forms the basis for federal assistance in funding highway construction and transit systems. With new legislation pending, construction of the interstate system nearing completion, and escalating transportation problems, the time has come to reassess the nation's transportation policies.

For many years the United States has led the way in helping other nations through crises. Our farmers have provided grain to those who cannot feed themselves. Our raw materials and technologies have helped build factories in far away places. Our medicines have saved lives of those we will never know. Despite our world leadership in other fields, the U.S. ranks 55th in infrastructure investment. It is now time to help ourselves, by setting goals that both strengthen our economy and lessen the burden that surface transportation is placing on our communities, environment, and national security.

In the coming years, transportation will need to address the needs of an aging population. (Photo courtesy of the National Trust for Historic Preservation.)

How Commuters Travelled to Work in 1983.



Source: Erik Ferguson. 1990. *The Influences of Household Composition on Residential Location and Journey to Work in the United States.* Washington, D.C.: Transportation Research Board Paper No. 890769 (January).

Trends that will Affect Transportation Decisions

During the 20 year period of 1960 to 1980 the annual population growth in the United States fell from 3 to 1 percent, and, although the trend is expected to continue, the amount of automotive traffic and the consequent congestion will grow. Demographic trends show the following:

Our population is aging—average age will increase to 38 by the year 2010. As a result, there will be an increasing number of retirees, with spare time to travel, on the roads. Although these people may not drive during peak commuting hours, they will add to the overall traffic volume.

Population migration to the sunbelt will continue. By the year 2010, the south will have grown by 14 million people, the west will grow by 17 million and the northeast will grow by 2.4 million—the Midwest is expected to experience a population loss of 300,000. Two problems will result from this trend: regions that are growing will have heavy burdens placed on their transportation systems, and regions that are losing population will have a smaller base to support the costs of operating and maintaining their systems.

Metropolitan areas will grow. Approximately 77 percent of Americans now live in metropolitan areas. In the past 40 years, almost 80 percent of the new metropolitan residents, and 75 percent of the new job opportunities, have been in the suburbs—the suburbs now account for 44 percent of the total metropolitan population. Without more mass transit available to suburbanites, as suburban populations continue to grow, suburb-to-suburb commuting and shopping patterns will further increase congestion.

Family and workforce compositions will continue to change. Today, 60 percent of the working age population is employed—85 percent in full-time, nine-to-five positions. The female percent of this workforce, which was 32 percent in 1950, is expected to grow to 60 percent by the year 2000. The proportion of women entering the workforce has slowed, however, the percent of women who work and have children is rising rapidly. This trend suggests that additional travel will be required to deliver children to daycare, and attend to shopping and errands during rush hour.

People will live farther from their workplaces. In two-income families it will be difficult to find housing within close proximity to both workplaces. One, or both, workers will, therefore, be required to commute over a long distance, which will again increase congestion. [1]

This is our future, and the transportation policies we establish must respond to it.

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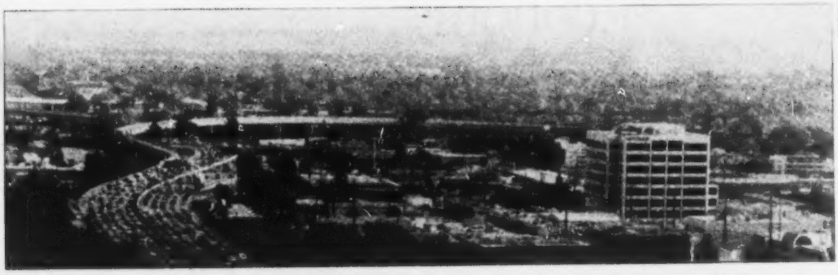
[1] "Five Demographic Trends that Will Influence Infrastructure Needs," 1990. *The Public's Capital* (Spring).



It no longer matters whether the commute is from suburbs to city, city to suburbs, or suburb to suburb. Like most other Americans who drive to work, Los Angeles commuters may spend hours each day in traffic—wasting time that could be put to more productive use, expending fuel, polluting the atmosphere with tailpipe exhaust fumes and particulates, and causing wear to road surfaces. (Photo courtesy of Department of Transportation, Sacramento, Calif.)

Transportation Basics: Goals for the Future

If size and extent were measures of effectiveness, the United States would surely have the best surface transportation system in the world. However, in transportation, effectiveness is not measured by miles of highways or vehicle carrying capacity, it is measured by system *performance*.

At the most basic level, transportation system performance is a function of the speed and ease of moving people and products to their destinations. Transportation systems use many non-renewable resources—land for road and railbeds and parking, and oil and mineral reserves for building, maintaining, and fueling both vehicles and the infrastructure, for example. In addition, they affect air and water quality. Performance, therefore, must also be measured on the basis of impacts on each of these resources.

The Four E's

STPP's goals for transportation can be summarized by four E's:

- Economy,
- Energy efficiency,
- Environmental quality, and
- Enhanced communities.

Transportation policy that focuses investment on these issues, whether it calls for capital improvements, creates a ridesharing or transit credit program, or suggests the adoption of a telecommuting program, is in the national interest.

Economy

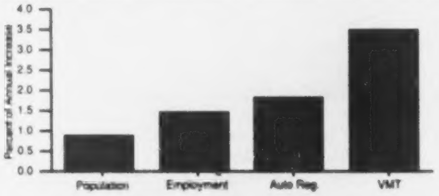
Americans seem to have an innate affection for automobiles and the freedom they represent. During the past decade the percent increase in the number of car registrations and vehicle-miles-travelled (VMTs) far outstripped growth in the U.S. population—a trend that is expected to continue into the next century.

Slow traffic slows the economy. Commuters spend long periods in traffic jams—frequently arriving at their workplaces late and frustrated. Delayed delivery of materials causes production bottlenecks and other problems for businesses.

Not long ago, the problem of traffic congestion was limited to large urban environments. It has now reached nationwide proportions and threatens to damage the entire nation's economy.

Each year drivers spend nearly 1.5 billion hours in traffic jams. When that number increases to the 4.0 billion hours the U.S. General Accounting Office projects for the beginning of the 21st century, America is likely to be a nation in uncontrollable gridlock.

A Comparison of Annual Growth Rates in U.S. Population, Employment, Automobile Registration, and Vehicle-Miles Travelled from 1980 to 1989.



Source: U.S. Statistical Abstract and Federal Highway Administration

Cars and Trucks: Culprits in Congestion

Whether they live in metropolitan, suburban, or rural locations, most Americans travel *by themselves* in cars or light trucks/vans (LTVs)—vehicle occupancy figures for 1990 showed an average of 1.12 passengers per vehicle. More than 143 million cars and 43 million commercial trucks are now on the nation's roads—and the number is growing at the rate of better than 1.5 percent a year.[1]

Total vehicle miles travelled on urban Interstates during peak periods increased by 14 percent between 1983 and 1989.[2] But that was only part of the story.

Accidents also affect congestion. From 1981 to 1986 automobile accidents decreased but truck-related accidents increased by 15 percent—and, when large commercial trucks have serious accidents they often close entire portions of highways, snarling already congested traffic for hours at a time.[3] A second aspect of the truck problem is size and weight. The nation's highways were not built to accommodate the increasing size and weight loads of today's trucks. As a result, trucks are deteriorating our roads, and crowding other traffic. More than 40 percent of the pavement on the nation's federal highway system is now deficient.[4]

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[1] Federal Highway Administration, 1990. *Highway Statistics 1989.* Washington, D.C.: Federal Highway Administration. p. 17.

[2] U.S. Department of Transportation, 1990. *National Transportation Planning Study.* Washington, D.C.: U.S. Department of Transportation. p.5.12.

[3] Federal Highway Administration. p. 164.

Productivity Gains Through Improved Transportation

Workforce productivity and spending on transportation infrastructure go hand-in-hand. Countries that maintain high investments in their transportation infrastructure reap the benefits in productivity growth. As Richard Mudge and David Aschauer write, "...during the past two decades, Japan has invested about 5.1 percent of its output in public works and achieved productivity growth of 3.1 percent per annum. The United States, meanwhile, has maintained a low public investment ratio of 0.3 percent and seen inferior productivity growth of 0.6 percent per year."[5]

If the United States is to continue to compete in world markets, it must make these kinds of infrastructure investments. In the meantime, corporations like 3M and Atlantic Richfield (ARCO) are finding their own solutions.

3M believed that transportation problems were hampering corporate productivity and potential growth. The international corporate headquarters of 3M, located in the eastern suburbs of St. Paul, Minn., is only served by one bus route. 3M solved this problem with a flexible work hours program—initiated in 1971, and later expanded to include carpool and vanpool programs, and a subscription bus service that is provided through the Twin Cities Metropolitan Transportation Commission. The company's vanpool program carries more than 10 percent of the company's 7,000 employees—carpools carry another 26 percent. The carpool program is extremely affordable, because 3M leaves program administration to the discretion of its employees.

ARCO, located in downtown Los Angeles, Calif., had similar problems. Its solution was a Transportation Demand Management (TDM) program. Their program incorporates: carpools, company-sponsored van pooling, buspooling, transit information and pass sales, Amtrak Commuter Rail, telecommuting (working at home), and compressed work weeks. To make the programs attractive, ARCO subsidized employees who use any of their TDM alternatives. The results are impressive. The program has been in place since 1972. By 1989, 26.2 percent of ARCO's employees commuted by carpool, 13.6 percent by vanpool, 20.2 percent by transit or Amtrak—only 40 percent drove alone.

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[4] Richard Mudge and David Alan Aschauer, 1990. *Enhancing U.S. Competitiveness Through Highway Investment: A Strategy for Economic Growth*. Washington, D.C.: The American Road and Transportation Builders Assocation (June). p. 5.

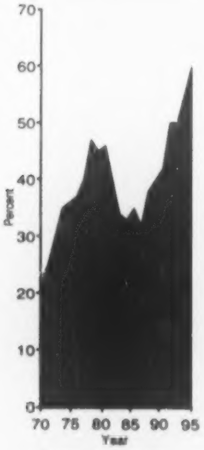
[5] Ibid., p. 4.

Energy Efficiency

In 1991 the United States will purchase nearly 50 percent of the oil it needs from foreign suppliers. If this trend continues, by the year 2030 our dependency level will reach 80 percent.[1]

Imported oil is responsible for approximately 40 percent of this country's trade deficit. Furthermore, we import most of our oil from politically unstable parts of the world, where frequent conflicts could result in a shut-down of oil supplies at any time. For these two reasons, reducing reliance on foreign oil sources is paramount to both the security and economic interests of this nation.

Imported Oil as a Percent of Total U.S. Oil Consumption—Actual and Projected Figures.



Source: U.S. Department of Energy

Transportation and Oil

Transportation accounts for 63 percent of all domestic oil consumption each year. Another 9 percent of the oil supply is used to build and maintain the nation's transportation infrastructure—which, when added to vehicular consumption, brings the total transportation consumption rate of oil to 72 percent.

Within the transportation sector, nearly three-quarters of the oil consumption in 1987 was for high-

Transporation Energy Use by Mode (1987).

Mode and Vehicle	Load	Percent of Total
HIGHWAY		73.6
Automobiles	Passenger	40.3
Motorcycles	Passenger	0.1
Buses		0.7
Transit	Passenger	0.3
Intercity	Passenger	—*
School	Passenger	0.3
Trucks		32.6
Light-duty	Passenger/Freight	18.3
Other Trucks	Freight	14.3
OFF-HIGHWAY		3.0
Construction	Freight	2.0
Farming	Freight	1.0
NON-HIGHWAY		20.4
Air	Passenger/Freight	8.7
Gen. Aviation		0.6
Dom. Carrier		7.2
Intl. Carrier		0.9
Water		6.0
Domestic Trade	Freight	1.7
Foreign Trade	Freight	3.3
Rec. Boats	Passenger	1.0
Pipeline		3.5
Natural Gas	Freight	2.6
Crude Oil	Freight	0.4
Oil Products	Freight	0.3
Coal Slurry	Freight	*
Water	Freight	0.2
Rail		2.2
Freight	Freight	1.9
Transit	Passenger	0.2
Commuter Train	Passenger	*
Intercity	Passenger	*
MILITARY OPERATION		2.9
Total		100.0

* Consumption is negligible.

Source: Deborah Gordon, 1990. *Steering a New Course: Transportation, Energy, and the Environment.* Cambridge, Mass.: Union of Concerned Scientists, p. 32.

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[1] Louis J. Gambaccini, Chief Operations Officer / General Manager, Southeastern Pennsylvania Transportation Authority, 1990. *Building Support for Public Transportation: A "Call to Arms."* Philadelphia, Pa.: Paper presented at "Transit Policy Seminar.

way traffic: passenger cars accounted for 40.3 percent; light-duty trucks—used to carry passengers and freight—accounted for 18.3 percent; and all other trucks accounted for 14.3 percent. At an annual consumption rate of 0.2 percent, transit's portion of oil usage was virtually negligible.

Reducing Transportation's Use of Energy

During the 1970s there was a substantial, somewhat successful, push to improve the fuel efficiencies of motor vehicles. Unfortunately, while miles-per-gallon figures increased, so did the number of vehicles on the road and the number of miles driven. The net result is disappointing: even with more efficient vehicles, the nation's transportation consumption of oil continues to rise.

Although attempts to increase fuel economy must continue, achieving real reductions in oil dependency will require alternatives to gasoline powered engines, and alternatives to the one-person-per-vehicle mentality that we, as a country, now have.

Alternatives to Gas-Powered Vehicles

Research into and development of alternatives to the gasoline-powered engine is ongoing. Vehicles powered with ethanol, compressed natural gas (CNG), liquefied petroleum (LPG), electricity, and hydrogen are either under development, or in limited use in the United States and other countries.

The Efficiency of Transit

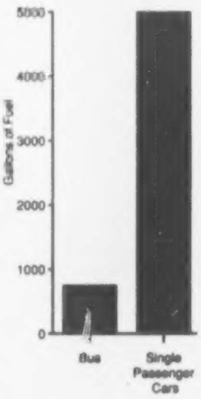
On a per-passenger basis, transit uses substantially less fuel, and emits significantly lower levels of pollutants into the atmosphere than single-passenger automotive traffic. Improving transit systems and encouraging more people to use existing services is one of the best means this country has for reducing oil dependency.

Despite its advantages, the percent of Americans who commute by transit dropped from 12.6 to 6.4 between 1960 and 1980 because of changing land use patterns and an accompanying rise in auto ownership.[2] Transit use has stabilized during the past decade however, and recent polls indicate that Americans favor transit improvements over other options as a method of relieving congestion.[3]

Innovations in Reducing Energy Use

The fact that alternatively-powered vehicles are not going to replace the gas engine in the near future doesn't mean that the nation can't lower its transportation fuel consumption. Quite the contrary. Through the past few years quite a few innova-

Annual Fuel Consumed by 40 Commuters for a 10-Mile Round Trip—Bus Vs. Passenger Cars.



Source: American Public Transit Association

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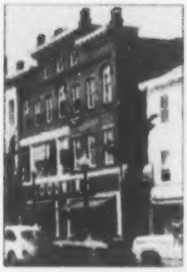
[2] United States Department of Transportation. 1990. *National Transportation Strategic Planning Study*. Washington, D.C.: U.S. Department of Transportation (April).

[3] According to Transit Now's *National Opinion Survey*, conducted by Market Strategies, Inc. in June 1990, more than 70 percent of those polled favored transit improvements to solve transportation problems, approximately 15 percent more than those who favored new road construction.



Small towns are particularly hard hit by the lack of transportation alternatives—especially in light of changing commuter patterns. (Photo courtesy of Tom Moriarity.)

tive strategies have been implemented successfully in communities throughout the nation.

Ridesharing

Americans are innovative. Faced with the 1973 mid-east oil embargo and the consequent gas shortages, many decided to carpool to their workplaces. For the rest of that decade the number of carpoolers increased steadily. When the first "High-Occupancy-Vehicle" (HOV) lanes were opened in the 1970s, commuters had a new incentive for carpooling—reduced travel time.

The nation benefits because carpooling reduces energy consumption and air pollution:

- A nine-passenger vanpool reduces energy consumption by 83 percent; and
- A three-person carpool reduces consumption by 66 percent.

By 1983, 15 percent of the nation's commuters participated in car or vanpools, saving almost 400,000 barrels of oil each day.[4]

Telecommuting

The explosion of personal computer and telecommunications equipment technology has made it possible for many people to stay at home and still maintain full-time, productive careers. And many are doing just that.

In 1980, 3 percent of the nation's workforce had set up home offices and become "telecommuters." The State of California estimates that by the year 2000 telecommuting will result in a reduction of up to 30 billion passenger-miles of travel, 700 million gallons of fuel, and 7 million tons of CO_2 will be saved as a result of telecommuting.

Flexible Work Schedules

In the past 10 years many businesses have implemented programs that allow employees to work on flexible schedules. Some offer compressed work weeks, some offer flexible work hours, and others offer staggered work schedules. Employees work a 40-hour week, but are not tied to a nine-to-five work day. Because of the flexible arrival and departure times these programs offer, commuters who work in organizations with flexible work schedules often travel at non-rush hour time. This lowers peak-hour congestion, while reducing fuel consumption and corresponding air pollution.

Reduced Fuel Consumption Provides Other Benefits

When this nation's energy dependence problems have been solved, so too will many of our other transportation and environmental problems. Transportation policy should explicitly focus on energy efficiency as a national transportation objective. Transportation planning, investment, and research should address this objective.

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[4] Deborah Gordon, 1990. *Steering a New Course: Transportation, Energy, and the Environment.* Cambridge, Mass.: Union of Concerned Scientists. pp. 130-131.

Environmental Quality

Air and water pollution are now endangering the future of this planet. Most scientists believe that the gases and particulates emitted into the air from the incomplete combustion of fossil fuels, other chemical contaminants, and the wholesale destruction of the Earth's rainforests, are triggering global warming. If they are correct, our world will soon see changes in seasonal weather patterns, the ocean currents, and precipitation.

For many in this nation, the concept of global warming is so far removed from day-to-day life that it is easily ignored. Two facts that cannot be ignored, however, are:

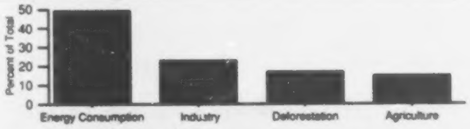
- Sixty percent of our population now lives in urban areas where air quality does not meet minimum federal health standards—which many scientists now say are not sufficient to protect the public health; and
- Transportation is one of the largest contributors to the air pollution problem.

Air Quality and Transportation

Air pollutants that contribute to global warming include: carbon dioxide, carbon monoxide, chlorofluorocarbons (CFCs), methane, nitrous oxide, and ozone. They are the same gases that cause smog, acid rain, depletion of the ozone layer, and other air pollution problems. Each is produced—either directly, from the tailpipes of motor vehicles, or indirectly from the production and distribution of fuel, transportation infrastructure construction, or vehicle manufacture—as by-products of transportation.

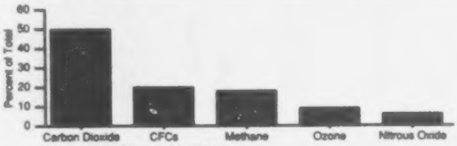
Although transportation is not the only contributor to air pollution, its contribution is substantial. Every gallon of gas consumed for vehicular travel results in the release of 19 pounds of carbon dioxide—about 5.3 pounds of which is carbon—into our atmosphere. Looking at it

Activities that Contribute to Worldwide Global Warming.



Source: World Resources Institute

Man-Made Contributions to Global Warming in the 1980s.



Source: World Resources Institute

another way, each 15 gallon tank of gas results in the eventual release of 300 pounds of carbon dioxide.[1]

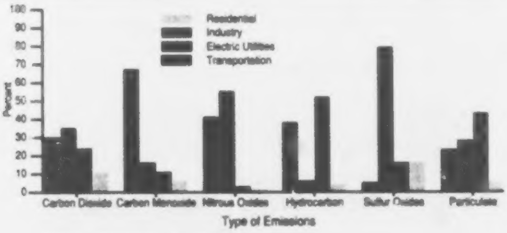
Transportation-related carbon dioxide emissions account for 25 percent of the United States annual emissions of this gas. In and of itself, carbon dioxide does not cause global warming; however, carbon dioxide, along with carbon monoxide, nonmethane hydrocarbons, and nitrogen oxides react in the presence of heat to produce ozone.

Ozone is smog. Ozone results in shortness of breath, and in time permanent lung damage. Smog contributes to global warming.

Water Pollution

The construction and routine use of the nation's transportation infrastructure also causes significant damage to water quality, primarily in the form of polluted run-off from roads and highways. After a rainstorm, this run-off typically contains toxic heavy metals such as zinc, mercury, and cadmium, plus automotive oil and grease. A Natural Resources Defense Council (NRDC) study estimated the oil and grease washed from roads and highways in the Hampton Roads region of Virginia, and discharged annually into the Chesapeake Bay, is on the order of magnitude of a major oil spill.[2]

Contributions of Sectors of the U.S. Economy to Air Pollution in 1985.



Sources: USC estimates; Environmental Protection Agency

Transportation systems and urban build-up are also major, highly visible factors, in wetlands loss, especially in coastal areas.[3] Construction of causeways, bridges, roads and highways across marshes and swamps, and the use of wetlands to dispose of "fill" material excavated from transportation sites, are the most serious problems. Although government regulations have slowed these forms of wetlands loss, decisions on whether, where, and how to construct transportation structures are at the center of controversies to preserve wetlands. Once in place, roads and highways built close to wetlands can continue to cause damage in the form of run-off pollution.

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[1] James J. MacKenzie and Michael P. Walsh, 1990. *Driving Forces: Motor Vehicle Trends and the Implications for Global Warming, Energy Strategies, and Transportation Planning.* Washington, D.C.: World Resources Institute. p. 7.

[2] Richard G. Cohn-Lee and Diane M. Cameron, 1991. *Poison Runoff in the Tidewater Area.* Washington, D.C.: Natural Resources Defense Council. p.3

[3] Office of Technology Assessment, 1984. *Wetlands: Their Use and Regulation.* Washington, D.C.: U.S. Government Printing Office. p. 99

The Costs of Pollution

Each year as many as 120,000 people die as a direct result of air pollution. It is further estimated that the annual costs of pollution, in terms of human health and the environment, range from $4 to $93 billion.[4] Air pollution from motor vehicles is also damaging agriculture and wildlife, corroding and soiling buildings, degrading visibility, and contaminating water supplies when there are leaks from underground fuel-storage tanks.

Lowering Vehicle Emissions

Federal attempts to lower vehicle emissions through technological changes have been two-fold. They began in the mid-70s when auto manufacturers were required to add catalytic converters to vehicles and when the country's mandatory fuel efficiency program was established. The program, which went into effect with the 1978 model year required that new cars achieve a minimum of 27.5 miles-per-gallon by 1985.

New car fuel efficiency doubled between 1974 and 1988, reaching to a level of about 28 miles-per-gallon as measured by EPA. More importantly, carbon dioxide emissions declined by about 1.5 percent a year between 1971 and 1988.

Even with this improvement, however, the pollution problem will continue to worsen simply because the total number of vehicles on the road continues to climb. It is estimated that if "emissions per vehicle continue their downward trend at 1.5 percent per year...carbon dioxide emissions from U.S. motor vehicles will increase by about 6 percent by the year 2000."[5]

Solving the Problem

The Clean Air Act, as amended, has put new momentum into this country's efforts to solve its pollution problems. Under the Act, the transportation plans of every region in the country must conform to their state's targets for emissions reductions if they are to be funded by the federal government. Regional plans must be, in the words of the Act "consistent with necessary emission reductions contained in the applicable implementation plan"—or they must be changed.

As stated by Richard E. Ayres of the Natural Resources Defense Council, "... from now on transportation programs must, by federal law, be used as an instrument of achieving healthful air quality, not treated as if transportation planning has no relation to the quality of the air we breathe."[6]

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[4] Deborah Gordon, 1990. *Steering a New Course: Transportation, Energy, and the Environment*. Cambridge, Mass.: Union of Concerned Scientists.

[5] Mackenzie and Walsh, pp.33-34.

[6] Richard E. Ayres, Natural Resources Defense Council, 1991. *The Clean Air Act: Catalyst for a New Transportation Policy*. Alexandria, Va.: Paper presented at the Transit Policy Seminar, Febuary 14-15, 1991.

Whether for traveling to work, filling business shipping requirements, attending to family matters, or for recreation, every community must have a mix of transportation options. Shown above is the transit stop at the Oregon Convention Center. (Photo courtesy of Tri-Met.)

Enhanced Communities

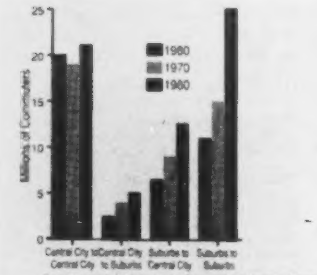
Transportation systems determine the quality of life in most communities. Well planned, properly integrated transportation enhances community life. People can choose their mode of commuting to work and arrive at their destinations with minimal effort. Businesses can ship and receive freight in a timely manner. And service providers are readily accessible to the public they serve. In addition, community residents can feel comfortable walking or biking—for work or for pleasure.

Transportation performance is now measured largely by one criterion: traffic speed—called *Level of Service* (LOS). The higher the speed, the better. Yet, in an increasing number of cities, transportation planners are actually taking steps to *reduce* traffic speed in an effort to enhance neighborhoods, reduce noise and congestion, and encourage bicycle and pedestrian traffic. Davis, Ca., and Arlington County, Va., are two such communities. Transportation, to work, must be appropriate to the locale. In both rural and urban communities, it frequently is not.

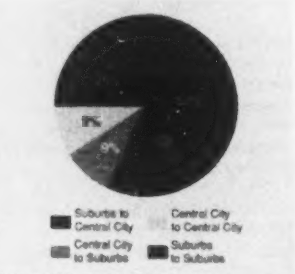
Rural Isolation

People in rural areas, with poor roads and few, if any, transit options, are isolated from jobs, schools, shopping, educational and medical services. They must often travel great distances just to make a living

Changing Patterns in Commuting from 1960 to 1980.



Percent of Commuters, by Type of Commute.



Source: Alan E. Pisarski. 1987. Commuting in America. Westport, Conn.: Eno Foundation for Transportation, Inc.

and maintain their households. Driving is often their only option.

Congestion in the Suburbs

In the 1950s, when the exodus from the cities to the suburbs began, the people who moved wanted the benefits of country life, and were willing to commute to the cities to achieve those benefits. When businesses also decided to relocate, new "suburban cities" began to develop. Urbanites became reverse commuters, and suburbanites became suburb-to-suburb commuters. Many of the benefits of suburban life were lost in the stream of congested traffic—with no transit or even sidewalks to offer a choice of travel.

Urban Economic Decline

Today, most of the nation's business development, and most of its new job opportunities, are in our suburbs. Much of our workforce remains in our cities, while suburban businesses cannot fill the jobs they have. The urban/suburban transportation connection has not yet been made. Without adequate "reverse commuting" support, workers cannot follow jobs to the suburbs. The result: tax base flight *and* higher urban unemployment.

Without the tax base to support investment, urban infrastructure declines, promoting other problems.

Transportation Myths and Realities

The first step in developing community-enhancing transportation systems is to recognize existing myths about the relationship between transportation and growth in population and businesses. These include:[1]

Stopping development will also stop traffic growth. Traffic is in fact growing faster than development. Vehicle-miles-travelled (VMT) per capita rose by 17 percent from 1969 to 1983. During the 1970s and 1980s, population growth, housing, and employment accounted for 33 percent of the increase in traffic. The remaining 66 percent resulted from the per capita mobility increase. Thus, even without new development, traffic will increase—unless we change our ways.

Lower densities mean less traffic. Although density limits may seem the appropriate means for reducing traffic, research shows that higher-density residential and office projects generate fewer driving trips and more transit use per unit than low-density projects. To sustain transit service residential density should exceed 2,400 persons per square mile, with a minimum of seven dwellings per acre; [2] and

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[1] Urban Land Institute, 1990. *Myths and Facts about Transportation and Growth.* Washington, D.C.: Urban Land Use Institute.

[2] Deborah Gordon, 1990. *Steering a New Course: Transportation, Energy, and the Environment.* Cambridge, Mass.: Union of Concerned Scientists.

Built in the last quarter of the 19th century, this street car stand on the grounds of the U.S. Capitol in Washington, D.C., now shelters tourists waiting for tour buses. It has survived all these years because of its utility. (Photo courtesy of Tony P. Wrenn.)

business density should be at least 50 employees per acre of business development in areas with more than 10,000 jobs.

The affluent won't ride buses. This myth has its basis in the belief that people with higher incomes think buses are slow, unreliable, and designed for the inner city poor. However, national data from 1983 reveals that people with incomes above $30,000 per year used buses as frequently as people with incomes below the poverty level.

Using Transportation to Improve Communities

Many transportation issues can only be addressed at the local level. Local officials have control over zoning laws, and they have a better sense of the lifestyles and needs of the residents in their community. Furthermore, they know which historical sites and other community resources should be preserved in any transportation planning activity. Planning and transportation measures to improve communities include:

- Linking rural areas to services and marketplaces—through public and paratransit whenever possible.
- Providing a mix of transportation options—cars, transit, bicycles, and pedestrian traffic—and the infrastructure to support each kind of traffic in suburban and urban areas. Bicycles, for instance, need trails and storage lockers if they are to connect commuters with transit systems. Pedestrians need sidewalks, and changes in road designs that both control—slow—and provide barriers against traffic.
- Linking transportation to growth management plans, and reducing commuter car travel by adopting comprehensive parking management strategies. Employer-provided free parking should be eliminated and employer-assisted transportation subsidies equalized across all modes—this may mean paying employees to walk or bicycle to work.
- Preserving existing unused transportation corridors, such as abandoned rail lines, for bicycling and walking, and possible future rail or transit use. Linear parks or "greenways" need to be developed for both their amenity and transportation values.
- Regulating shopping mall size to encourage transportation efficiency and preserve neighborhoods. Land use can be configured to minimize total travel demand, while promoting choice. Street design criteria must support all modes, not just car travel.

Transportation measures to make communities more *livable* will vary among communities. However, the key word is *choice*. Without choice of travel, communities will deteriorate. There is a clear federal interest in maintaining our communities and supporting their transportation choices.

The Act: Systems Over Performance

The Highway Act of 1956 put the federal government into the role of transportation system builder for the Interstate and Defense Highway System. The project, which was projected at a cost of $26 billion, has continued for more than 35 years at a cost of $129 billion. With the Interstate nearing completion, and the Surface Transportation Assistance Act due for reauthorization, Congress has an opportunity to reconsider its stance on federal surface transportation policy and funding. Reform is needed.

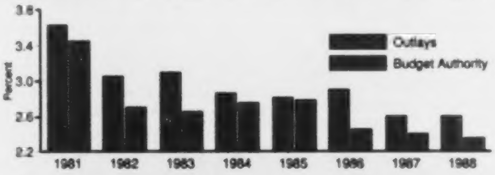
Although the Administration has described the reauthorization proposal it submitted to the Congress as a "new vision for the coming generation in surface transportation,"[1] the actual proposal is short-sighted in its view of the Nation's transportation needs. It provides some incremental flexibility in project funding and a substantial federal match for operations improvements; however, its planning and funding recommendations continue to stress highway building. Moreover, it minimizes performance as a policy objective.

Specific issues upon which STPP and the Administration differ:

- The largest share of proposed federal funding is dedicated to the new National Highway System (NHS) of 150,000-165,000 miles. The NHS will consist of the Interstate system and parts of the primary system, linked together with beltways, bypasses, and connectors. As with the Interstate system itself, this

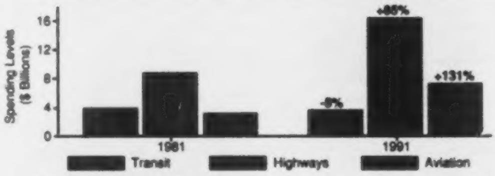
As shown below, transportation's share of the federal budget has declined steadily during the past 10 years. During the same period, funding for highways nearly doubled, funding for aviation more than doubled, and transit funding fell by 5 percent.

The Transportation Portion of the Federal Budget—Fiscal Year 1981 to Fiscal Year 1988.



Source: American Public Transit Association

Changes in Federal Spending for Transit, Highways, and Aviation from Fiscal Year 1981 to Fiscal Year 1991—in real dollars.



Source: American Public Transit Association

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[1] Letter from Samuel K. Skinner, Secretary of Transportation, to the Honorable Dan Quale and the Honorable Thomas S. Foley, February 13, 1991. p.1

Administration vs STPP Proposals

Both STPP and Administration' proposals reduce restrictions on the use of funds and earmark revenues for "flexible" programs. Referred to as "flexible funds," these monies can be used for any purpose now authorized under the transit and highway programs.

***The Administration proposes:** a combined urban/rural program of $22.2 billion over five years; calls for most of the transit program to be flexible; permits limited flexibility in the use of National Highway System funds; sets a 60 percent limit on the federal share of funding for urban/rural and transit programs; and uses a formula based on fuel use to allocate funds from the National Highway System, thereby encouraging fuel consumption.*

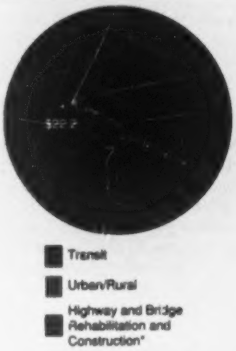
***STPP proposes**: separate urban mobility and rural access programs, for a combined total of $50 billion over five years; limited flexibility in the reassignment of transit funds; a 75 percent rate for federal funding of both highway and transit programs, and a 90 percent rate for rehabilitation, operational, and management projects; and funds allocation formulas based more heavily on population and other factors that approximate transportation system needs.*

policy will continue to encourage movement from the cities to the suburbs and suburbs to rural areas.

- The formula by which funds for the proposed NHS are apportioned to the states is based 70 percent on state fuel consumption. Thus, the more fuel consumed in an area, the more federal funding that area will receive. This provision discourages conservation, and penalizes high transit-use areas, which measure performance in terms of numbers of *people* moved, not the number of *car-miles* travelled.
- Transit, rail, bus, and non-motorized modes of transportation that could play a substantial role in reducing congestion remain under-funded: $87 billion would be earmarked for highways, while only $16.3 billion would go for transit. Although transfers between highway and transit funds would be allowed for some programs, the lack of local input in state funding decisions virtually ensures that most transfers would be to fund additional highway projects, which would further drain the funds available for transit.
- Funding for surface transportation would increase from approximately $19 billion to almost $24 billion annually over five years. However the percent of federal match for transit and locally planned transportation projects decreases. This effectively shifts the burden for specific projects to states and localities.
- Finally, although metropolitan planning organizations (MPOs) and cities bear the burden of new planning requirements under the Clean Air Act and various state growth management laws, the authority to determine which transportation projects will receive federal funding remains largely with state highway agencies. This further complicates promotion of municipal and local transportation, clean air, and growth management objectives.

We can, and must do better.

Administration Proposed Funding for Highways and Transit (in $ billions over five years).

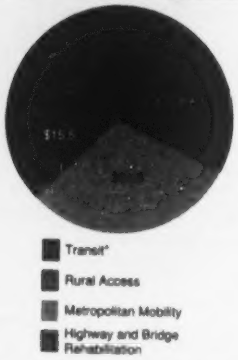


*Up to $6.5 billion of these funds can be transferred to urban/rural and a majority of transit funds can be transferred to highways.

Transportation Performance: STPP Proposals

Although there is strong federal support for improving the delivery of transportation services, Administration proposals for the 1991 Surface Transportation Assistance Act fall short of achieving that end. Bold new steps must be taken if this country is to meet its future transportation needs.

STPP Proposed Funding for Highways and Transit (in $ billions over five years).



*Only funds for new capacity, that have not already been committed, could be transferred.

The following proposals provide specific measures for restructuring the nation's transportation programs. While retaining overall highway funding levels suggested by the Administration, the proposals call for a redistribution of specific funds, and an increase in the role of local communities—urban, suburban, and rural—in determining the use of the funds in their areas. STPP also calls for a minimum annual increase of $2 billion over the Administration's proposal for transit.

For the purpose of clarity, proposals have been grouped into three categories:

- Funding Programs;
- Decisionmaking; and
- Standards

In all cases, the measures outlined are intended to redirect the nation's transportation program to favor *performance* over *system building*. They build on the strengths of existing systems and institutions, thereby encouraging a *relatively* smooth transition. Moreover, they provide a specific framework for both assessing the performance of transportation systems *and* ensuring that new transportation projects

Administration vs STPP Proposals—continued.

*STPP and the Administration's proposals differ significantly in their emphasis on highway programs. **Both proposals** call for completion of the Interstate and for substitution projects, and separate bridge programs. However, after earmarking funds for the preservation and enhancement of the Interstate system, **STPP allocates** all other funds in the Administration's National Highway System to the flexible metropolitan and rural programs so that local communities can choose the types of projects and new capacity the need.*

***STPP also proposes** that for both the Interstate and bridge preservation programs funding be restricted to rehabilitation and other non-capacity improvements—new capacity improvements would be funded through rural and metropolitan programs.*

***STPP believes** that greater flexibility in the use of funds and a stronger role for local officials in funding decisions is essential if the nation is to succeed in addressing its urban congestion, air quality, and rural isolation problems. Without this flexibility the mandates of the Clean Air Act—which affect all major urban centers in the United States, where most of our population lives—cannot be met.*

Like this bridge over the Schuykill River, in Manayunk, Penn., a high proportion of our nation's bridges are deteriorating. This bridge's waterproofing and rails have failed . It is currently out of service. (Photo courtesy of Chuck Taft, SEPTA)

serve the interests of the American people, the national economy, community integrity and the environment.

STPP's five funding proposals cover the maintenance and expansion of highways, transit, public roads and bridges, and other issues. The intent of the proposals is three-fold:

- First, to ensure the maintenance and safety of the nation's transportation systems;
- Second, to provide local areas with choices in both the mode and capacity of their transportation systems; and
- Third, to ensure better management and operation of existing systems before investing in new capacity.

Each program area will be funded for the full five-year term of the 1991 Surface Transportation Assistance Act. For both highway and transit projects, the federal funding level is 90 percent for resurfacing, restoration, rehabilitation or operational and management improvement projects and transportation enhancements, and 75 percent for projects that add to transportation system capacity. Funds apportioned under these programs will remain available for obligation for four years.

In addition to the programs described below, the STPP proposal includes other highway programs proposed by the Administration and their proposed funding levels, including: Interstate completion and substitution, and smaller programs such as federal lands highways. These total $10.4 billion and are included in both the Administration's and STPP's "Highways" category shown in funding level breakdown charts on page 20 and 21.

In all programs, "transportation enhancements" are activities or projects geared toward improving the compatibility of a particular mode or component of transportation with the landscape, architecture, or community attributes of the surrounding area. They can include: the purchase of scenic and historic resources; the development of bicycle and pedestrian facilities; planning and design improvement activities; and landscape and archeological projects.

Following is a summary of STPP's major proposals; STPP expects to develop additional positions on such issues as tolls and financing and standards for the future.

Funding Programs

Proposal One: Bridge Preservation

The federal government should allocate $12.2 billion for the preservation of the nation's bridges. In addition, the Secretary of Transportation should maintain an inventory of the nation's bridges, and assess the condition of all bridges in that inventory.

Projects involving replacement, rehabilitation, and resurfacing, and related transportation enhancement projects are all eligible for funding under this program. Funds from this program may also be used for the development of a nationwide bridge management system. STPP believes that decisions to add bridge capacity should be made at the local level, thus, funding for bridge capacity increases is provided through the metropolitan and rural programs.

Because of the severely deteriorated condition of many of the nation's bridges, STPP further proposes that the Secretary of Transportation, in consultation with the states, maintain an inventory of all highway bridges on any public road, including bridges over waterways, other topographical barriers, other highways, railroads, and, as a separate category, historic bridges.

Of the $12.2 allotted to this program from the Highway Trust Fund, $2 billion should be set aside for Major Bridge Discretionary Program projects that will cost more than $5 million.

Proposal Two: Interstate Highways

The federal government should allocate $14.2 billion for the preservation of the Interstate Highway System.

Projects for resurfacing, restoration, and rehabilitation (3R), operational and management improvement, and transportation enhancement on the Interstate are eligible. Expansions of vehicle capacity on the existing Interstate systems are not funded under this category but are eligible under either metropolitan or rural programs.

Funds for the 3R program will be at 90 percent federal share and will be apportioned among the states on the basis of: lane-miles of Interstate highway, vehicle miles of travel on the system, and the condition of Interstate system pavement.

Proposal Three: Transit

The federal government should increase its support for transit by a minimum of $2 billion a year, thereby raising annual funding levels to at least $5.3 billion.

Of all transportation systems, transit--including buses, vanpools, and other paratransit services for the elderly and disabled—shows the most promise for solving urban congestion, air quality, and many rural access needs. In 1990, Congress passed landmark legislation to ensure the rights of the disabled and to improve the nation's air quality. The Americans with Disabilities Act (ADA) and the Clean Air Act (CAA) are clear mandates for increasing and improving transit systems—neither, however, provides any funding for these programs. In addition to the monies required to expand and maintain existing transit service, effective implementation of these laws will require hundreds of millions of dollars in vehicle improvements and mobile source controls in each of the next five years.

Federal support for transit decreased substantially during the 1980s, falling from 28 percent of total federal surface transportation assistance in 1982 to only 17 percent today. A transit funding level of $26.6 billion for the five-year period of the Act will begin to correct the problem. However, additional funds still need to be identified if national mandates are to be met--especially those under the Clean Air and Americans with Disabilities Acts.

Due to the extended period of under-funding, there is a backlog of transit system needs. System rehabilitation is a priority, but new transit systems and additional capacity on existing systems are also required if urban and rural needs are to be met. STPP recommends that the Act limit the flexibility of states and metropolitan areas in using transit funds for other transportation modes. Federal funds allocated to system expansion should be made available for other modes to the extent that commitments for expansion through the alternatives analysis process and preliminary engineering have been met. STPP further recommends that the alternatives analysis process be reformed so that transit investments are assessed on the same performance basis as highway investments.

Federal funding for this program will come from two sources: at least $3.3 billion a year from the Highway Trust Fund, and the remainder from general funds. Additional funds can be obtained by spending down the balance of the mass transit account, reauthorizing the full $.14 per gallon federal gas tax in 1995, and devoting a larger portion of gas tax revenues to transit.

Under the transit program, funds for research, training, human resources, and planning would be gradually increased to 3 percent of the Urban Mass Transit Authority (UMTA) budget. Funding allocations for operating assistance would continue at current levels for eligible transit operators. STPP also proposes that funding levels for rural and small urban transit, and elderly and handicapped projects be raised.

Coordination of transit planning with regional and local planning to promote locally established growth management strategies would be encouraged under the STPP's proposal. Finally, by equalizing the federal share of capital and operating funding across all modes, transit would be put on an equal footing with highway expansions and operational fixes in developing strategies for congestion relief.

Proposal Four: Metropolitan Mobility

The federal government should allocate $34.5 billion for the maintenance, preservation, and expansion of existing transportation systems within metropolitan areas.

Under this proposal, the funding categories for metropolitan areas include:

- Resurfacing, restoration, and rehabilitation of metropolitan highways;
- Operational and management improvements, including carpool promotion and HOV facilities;
- Highway safety improvements;
- Transit projects—the construction, reconstruction, operations improvement, and expansion of transit facilities, including the purchase of rolling stock for fixed rail and the purchase of buses and support facilities;
- Capital projects to improve access to and coordination with other modes of transportation within the metropolitan area;
- Planning and technology improvement projects;
- Bicycle and pedestrian projects and other transportation enhancement projects; and
- Capacity expansion of the Interstate system, bridges, and public roads located within a metropolitan area.

Urban and suburban areas with populations of more than 50,000 are eligible for funding under this program—with special earmarking for metropolitan areas with more than 200,000 residents. To receive federal support, both the state and the metropolitan area, must have complied with applicable planning requirements.

Program funding will be apportioned on the basis of metropolitan population, with an incentive factor for reducing vehicle-miles-travelled (VMT). States can reserve as much as 10 percent of their federal allocation to reward metropolitan areas with populations of more than 200,000 for innovative growth management strategies, air quality improvement proposals, or projects that reduce VMT.

Proposal Five: Rural Access

The federal government should allocate $15.5 billion to maintain, preserve, and expand the existing transportation systems outside metropolitan areas.

Projects eligible for federal funding under the rural program are of the same types listed in the metropolitan program, except that public transportation projects would not include the fixed-rail-type systems appropriate in urban areas.

Projects must be located in rural areas and non-metropolitan communities. No rural project may be funded unless the state has complied with applicable planning requirements.

For this program, funds will be apportioned among the states on the basis of public road mileage and non-metropolitan population.

Framework for Decisionmaking

Proposal One: State Transportation Planning

To ensure that federally-assisted projects achieve national objectives, each state should be required to develop and implement multimodal state transportation plans and programs that are based on performance criteria.

Although federal transportation funds have supported state planning for more than two decades, there is no requirement to develop a state plan. Nor is there any requirement to coordinate state transportation plans with related land-use, energy, or environmental plans.

Under this program, state transportation agencies will develop long-range plans and short-range implementation programs. More specifically, they well be responsible for:

- Transportation planning in non-metropolitan areas;
- Connectivity between metropolitan areas;
- Reconciliation of metropolitan areas plans; and
- Linking plans, programs, and projects to reasonably anticipated funding over the authorization period of the Act.

Transportation agencies will be expected to work in consultation with state organizations designated under the Clean Air Act, and with state agencies concerned with environmental, energy, and planning issues. Rural agencies also should be involved in the development of non-metropolitan plans.

Requiring states to prepare plans is an important step in improving transportation systems, because it directs transportation resources to achieve broader objectives and to use limited resources more effectively. State transportation plans must cover all transportation systems within the state, including federal and non-federal systems, and highway and non-highway transportation. Furthermore, they must assign functions and responsibilities to state, regional, and local governments.

Within their planning documents states must show how their transportation strategies perform in terms of specific objectives:

- Preserve existing federally-assisted facilities;
- Relieve urban congestion;
- Assist in the attainment of Clean Air Act requirements;
- Avoid water quality and aquatic resources impacts;
- Promote energy conservation in transportation; and
- Provide needed transit and road facilities in rural areas.

They will also have to document the efficiency and cost-effectiveness of planned transportation systems, show how public safety, the environmental and historical resources will be protected.

In addition, states must prepare a five-year transportation improvement program (TIP) that documents their means for implementing state and metropolitan plans.

Proposal Two: Transportation Performance Standards

To assist states in developing the required plans, quantitative techniques for determining the performance of state and metropolitan transportation systems, in the context of stated transportation objectives, should be established.

Under this proposal, the Secretary of Transportation would be required to promulgate regulations that measure transportation performance—quantitatively—in terms of attainment of objectives.

Proposal Three: Metropolitan Transportation Planning

Metropolitan planning organizations should be empowered to develop long-range plans and transportation improvement programs that are incorporated in the state transportation plans and programs that determine the use of federal transportation funds—including the Metropolitan Mobility Program.

Local governments understand the needs and problems of their communities better than any state or federal official because they use and function within their transportation system environment every day. To these organizations, transportation is more than a set of statistics.

Metropolitan Planning Organizations (MPOs) have been supported by federal transportation funds for more than two decades. Comprehensive metropolitan transportation plans and improvement programs that identify projects have been developed as part of the MPO program throughout this period. However, transportation funding decisions have been made largely at the state and federal level.

The STPP proposal links the metropolitan plans to decisions on use of federal funds. Under the program, long-range metropolitan plans must:

- Cover all transportation systems within a metropolitan area, including federal and non-federal systems, and highway and non-highway systems.
- Reflect any existing state and local land use plans; and
- Demonstrate that they are achieving the objectives established in the state plan.

MPOs must also prepare a TIP that includes investments that will be funded during a five-year period. MPOs with populations of more than 200,000 must also prepare an annual TIP.

No investment, program, or project can be included in a metropolitan TIP unless it is contained in the long-range plan: projects that do not have realistic funding sources must be excluded from the TIP.

To ensure that state and metropolitan plans and programs are consistent, every state must establish a process to coordinate state and local transportation agencies during plan and TIP preparation and to incorporate metropolitan plans and TIPS in the state plan and TIP.

Proposal Four: Funds for Planning

Funding for both state and metropolitan transportation planning activities should be increased. The federal share of funding for these activities should be maintained at the current 85 percent funding level.

The Clean Air Act and other mandates have placed new responsibilities and requirements on metropolitan and state planning organizations, and additional federal funding will be required to meet these new planning requirements. STPP, therefore, proposes that the federal government increase its funding for metropolitan planning from the current level of 0.5 percent to a level of 1.5 percent of major highway program apportionments. At the same time, federal support for state highway planning should be increased from 1.5 percent to 2 percent of these apportionments. Approximately 1.5 percent of the transit program would also be available for metropolitan planning.

STPP agrees with the Administration proposal to make the above planning set-asides minimum planning levels, and to set no limits on the use of regular program funds for these purposes.

Proposal Five: Public Participation in Planning

No state should receive federal funds under the Surface Transportation Assistance Act unless it has established procedures for public participation in the development of all plans, programs, and priorities developed by MPOs. Reasonable mechanisms to ensure compliance with the requirements of this proposal should be adopted.

Standards

Proposal One: Environmental Review Requirements

The U.S. Department of Transportation (DOT) should continue its responsibilities under federal environmental laws including the National Environmental Policy Act (NEPA) and Section 4(f) of the DOT Act.

The Administration's proposal seeks authority to delegate DOT's responsibilities under NEPA and other unspecified environmental laws to unnamed state agencies. Although STPP agrees with the objective of reducing unnecessary paperwork and delays, the authority sought is too broad and poorly defined to be supported. DOT should involve key transporation and environmental interest groups in defining the problem and recommending policies. Such deliberations should include design standards--which have their own environmental and economic consequences—as well as environmental laws and regulations.

Proposal Two: Billboard Control

The Highway Beautification Act should be amended to prohibit new billboard construction along federally-aided highways, prohibit tree cutting on public-rights-of-way for the purpose of improved billboard visibility, and restore the rights of states and cities to amortize billboards.

With the exception of the added tree cutting provision, the STPP proposal is the same as the Administration's position on this issue.

Proposal Three: Scenic Roadway Protection

A roadway program, predicated on the protection, rather than construction of scenic and historic corridors should be established. The program should be designed to protect scenic and historic resources along designated corridors under specific standards for such roads.

Proposal Four: Truck Size and Weight

The size and weight allowances for trucks using the federal highways should be kept at current requirements.

Increasing the truck size and weight allowances would have serious environmental consequences because it would encourage further shifts from rail transportation to motor vehicles, which would in turn worsen air pollution, increase fuel requirements, and substantially increase congestion on existing roads .

Proposal Five: Research and Development

The federal government should increase funding, and refocus its transportation research and development programs to projects that encourage the development and use of alternatives to gas-powered vehicles.

In a recent poll conducted by Transit Now, 82 percent of all Americans agreed that "the U.S. should begin now to plan for more transportation choices." Yet the vast majority of transportation research and development (R&D) activities relate to only one mode of transportation—the automobile. Although research on automotive-related areas such as "smart vehicles," pavement preservation, and bridge construction techniques and materials is certainly needed, STPP believes that the real focus of transportation R&D should be on improving total system performance and choices.

Less than 2 percent of federal transportation R&D is spent on transit, less on railroads, and virtually nothing on bicycle and pedestrian travel. If transportation is to foster economic, energy efficiency and air quality improvements and enhance our communities, R&D must change its focus in a number of areas. Specifically:

- **Apportionment Formulae.** Existing data collection methods are wholly inadequate for the purposes of apportioning federal transportation assistance funds. Alternative distribution formulae that encourage energy conservation, system efficiency, and balanced system utilization across modes are needed.
- **Modeling.** Existing transportation models use travel behavior data that is more than 20 years old and focus exclusively on improving traffic flow. A new generation of transportation planning and analysis tools and data is needed if the nation is to achieve its other goals, such as conformity with clean air plans, and the integration of transportation and land use.
- **Growth Management.** Transportation now determines land use. If the national 4E goals are to be achieved, the correlation must be reversed: land use must determine the types and locations of transportation that are needed to support communities. Research is needed on such innovative strategies for integrating transportation and land use as: urban boundaries, concurrency requirements, and adequate public facility ordinances, as well as strategies for linking conventional transportation planning models with geographic information systems.
- **Funding and Administration.** The total federal allocation for transportation R&D must be increased. The National Cooperative Highway Research Program (NCHRP) and the National Cooperative Transit Research Program (NCTRP) should be combined, and rail, bicycle, and pedestrian research should be added to the new program's agenda. Moreover, a minimum of 50 percent of all R&D should focus on alternatives to single passenger automobile trips.
- **Transportation Costs and Benefits.** No standardized methodology exists for documenting the direct and indirect costs of transportation systems, and their effects on the health, economic welfare, and environment of the nation. If accurate assessments are to be made, *standardized* methods for measuring the costs and benefits of all transportation systems must be developed.

Conclusions: Meeting the Transportation Challenge

In 1958, Lewis Mumford predicted that the recently-enacted Highway Act of 1956 would result in "a tomb of concrete roads and ramps covering the dead corpse of the city."[1] The prediction in part has been borne out. Our cities have suffered as people and businesses moved to the suburbs. And, our countrysides have been bulldozed into strip malls and parking lots. But the fact is, the cities are still alive, and much of the country remains as picturesque as it was 100 years ago.

At this juncture, we have an opportunity and *obligation* to step back and *plan* the future of our transportation systems. In doing so we must protect our environment, make the best use of our lands, and preserve the natural beauty of our landscapes—while meeting the nation's travel and transport needs.

No one would question the importance of federal direction and funding in building this country's transportation systems. Nor would anyone down play the role of the Interstate in the national economy. But the United States is now connected—from coast-to-coast and border-to-border. And the time for massive highway building is over. The federal government has its role in transportation, now communities must have theirs. If this country is to solve its transportation and pollution crisis, every community must examine its own transportation problems and determine how they can best be solved, and the federal government must give them the authority to do so. Communities, and their resident businesses, know best what their constituents need—just look at what some are doing.

Fairfax City, Va. Located about 15 miles outside of Washington, D.C., Fairfax City, Va. takes full advantage of the Washington Metrorail system, while continuing to manage its own transportation needs. The crown jewel of the city's local transit system is the CUE bus. This compact, highly efficient bus-rail line provides frequent service along two concentric routes to the local Metrorail station. When the local Metrorail station opened in 1985, Fairfax City reconfigured its bus service to provide short-distance connector routes to it. Viewing transit as any other municipal service, Fairfax City provides 52 percent of CUE's operating expenses through local taxes. Fares are kept low ($0.35 per ride) to encourage use.

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[1] Lewis Mumford, 1963. *The Highway and the City.* Harcourt, Brace & World, Inc. p. 238.

The San Diego Trolley. (Photo courtesy of the Department of Transportation, Sacramento, Calif.)

This document is printed on recycled paper.

Plano, Tx. To the government and citizens of Plano, Tx., an affluent suburb of Dallas, quality public transportation is also a matter of civic pride. Plano has initiated five local and two commuter bus routes that carry residents to destinations within its jurisdiction, to other suburban centers, and to the Dallas business district. The community receives an annual rebate on the sales tax it contributes to the Dallas Area Rapid Transit (DART) system. That rebate is used to improve transit routes and coordinate all area transportation activities.

San Diego, Ca. The San Diego, Ca., trolley began operation in 1981. It is not only one of the least costly transit systems in the country, it is also a system that has had overwhelming popular support. In 1987, San Diego voters approved a referendum that commits one-third of the revenues from a special tax levy to transit, including the trolley system, and also earmarks $1 million annually for bicycle and pedestrian facilities. The San Diego Regional Association of Governments is the designated planning and administrative agency for these funds. This role has made it a leader in the region's transportation decision-making.

Portland, Ore. Twenty years ago, the city of Portland had one solution to its transportation problems—freeways. However, when Oregon adopted a State land use law, Portland abandoned its new freeway projects. Instead, Portland turned its efforts to the construction of a light-rail system, which today carries the equivalent of two lanes of traffic on *every* road entering downtown. The effects of Portland's light-rail system, and related growth management policies, are nothing short of phenomenal: downtown has added 30,000 jobs without an increase in car traffic; the downtown share of the regional retail market increased from 7 to nearly 30 percent; and health-threatening smoggy days went from 100 per year to none. In short, light-rail and good planning brought better air quality and a rejuvenated city economy to Portland.[2]

What made the light-rail system possible was the local decision not to build an Interstate. The funds that would otherwise have built the road were diverted to the transit project and 184 other local improvements.

Taking the Challenge

Solving this country's transportation crisis is a difficult challenge. However, it's a challenge we can't afford to lose. Rethinking and revising the premises of the 1991 Surface Transportation Assistance Act is the first step in accepting the challenge.

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[2] Richard E. Ayres, Natural Resources Defense Council, 1991. *The Clean Air Act: Catalyst for a New Transportation Policy.* Alexandria, Va.: Paper presented at the Transit Policy Seminar, February 14-15, 1991.

ERRATA SHEET: ACTING IN THE NATIONAL INTEREST

The information on page 13 is in error. The section should read:

Air Quality and Transportation

Motor vehicles are major sources of gases that contribute to greenhouse warming and air pollution. Greenhouse gases from motor vehicles include carbon dioxide, the CFCs and carbon monoxide. Carbon monoxide indirectly contributes to global warming by accelerating the buildup of methane, a very potent greenhouse gas. It is also a serious urban pollutant and a promoter of smog.

Ozone is the principal component of smog. About 112 million Americans live in areas where the air quality standard is exceeded. People exposed to ozone suffer eye irritation, cough and chest discomfort, headaches, upper respiratory illness, increased asthma attacks and reduced pulmonary function.

The CFCs from motor-vehicle air conditioners are both major greenhouse gases and cause depletion of the upper-atmosphere ozone layer.

Although transportation is not the only contributor to global warming, its role is substantial. Every gallon of gas consumed for vehicular travel results in the release of 19 pounds of carbon dioxide into our atmosphere. Of this, about 5.3 pounds are carbon. Looking at it another way, each 15 gallon tank of gas results in the eventual release of 300 pounds of carbon dioxide.

Transportation--motor vehicles, planes and ships--accounts for about 31 percent of total U.S. annual carbon dioxide emissions, two-thirds of national carbon monoxide emissions, a third of hydrocarbon emissions (necessary for smog formation) and 41 percent of nitrogen oxide emissions (important in forming both smog and acid rain).

PROPOSED REAUTHORIZATION OF THE URBAN MASS TRANSIT ACT

THURSDAY, APRIL 18, 1991

U.S. Senate,
Committee on Banking, Housing, and Urban Affairs,
Subcommittee on Housing and Urban Affairs,
Washington, DC.

The subcommittee met at 2:06 p.m., in room SD-538 of the Dirksen Senate Office Building, Senator Alan Cranston (chairman of the subcommittee) presiding.

OPENING STATEMENT OF SENATOR CRANSTON

Senator Cranston. Good afternoon to you all, and we welcome you to this hearing.

This is the third in a series in preparation for reauthorization of the Urban Mass Transportation Act.

It is an important part of the subcommittee's effort to enact an integrated transportation policy that can help clear our clogged roads, clean our air, and provide mobility for all Americans.

At previous hearings, the subcommittee has heard compelling testimony regarding the transportation problems of major metropolitan areas.

Our focus this afternoon will be on the transportation needs in rural communities, the relationship of public transit to clean air and fuel efficiency, and the mobility needs of persons with disabilities.

Our first panel will discuss the needs of rural and small urban transit systems across our country.

Although residents of rural and smaller urban areas may not suffer from severe congestion or pollution, many of them need good public transportation to be able to get to jobs, medical care, and other services.

The subcommittee is seeking out the insights of our panel members so that we can craft a transit bill that fully reflects rural transit needs.

Our second panel will explore the transportation implications of the Clean Air Act Amendments of 1990.

At our hearing yesterday, several witnesses emphasized that this new Surface Transportation Reauthorization Act would do much to determine the country's ability to achieve our clean air objectives.

This afternoon we want to consider in more detail how decisions related to transportation can mesh with State and local efforts to improve air quality.

An important question is how urban bus systems can meet the new particulate matter emissions standards through the development and adoption of clean diesel and alternative fuel engines.

The final panel this afternoon will focus on the transit needs of elderly people and persons with disabilities.

Specifically, we will discuss how new transit legislation can help achieve the purposes of the Americans With Disabilities Act of 1990, providing all Americans with open access to society's resources.

Since 1973, it has been the declared national policy that elderly and handicapped persons have the same rights as other persons to utilize mass transportation facilities and services.

In that year, the Rehab Act required transportation providers to make some provision to enable people with disabilities to use the systems.

The Americans With Disabilities Act of 1990 goes one step further to require the mainstreaming of people with disabilities into all aspects of public life.

This includes making our buses, trains, and subways available to people whose handicaps formerly prevented them from riding.

It also requires alternative transportation for people who are unable to use even an accessible public transit system.

I challenge us to find ways to implement these important mandates, given the difficult budget constraints that are upon us.

Public transportation is an indispensable element of any national solution to these problems.

This hearing was originally scheduled for last Wednesday, but had to be rescheduled because of the tragic death of Senator John Heinz.

With that tragedy, we lost an important ally for public transportation and the needs of elderly Americans.

I and other members of this committee are determined to redouble our efforts to make sure that the transportation needs we will be discussing this afternoon will receive the full support they deserve.

We are fortunate to have an outstanding group of witnesses who are all well acquainted with these issues.

We look forward to hearing the views of each of you on how best to tackle these formidable tasks.

I now call on the ranking minority member of the committee, Senator Al D'Amato, my good friend, for any comments he wishes to make.

OPENING STATEMENT OF SENATOR D'AMATO

Senator D'Amato. Well thank you very much, Mr. Chairman.

Mr. Chairman, as you indicated, today's hearing touches on three aspects: rural and small communities; the clean air Act and alternative fuels; and the disabled and elderly population.

One of the key areas of focus here today will be the clean air and alternative fuels area.

This Nation faces an enormous task in its efforts to meet the Clean Air goals set forth last year, but it can be done if we all work together.

Mass transit and the use of alternative fuels plays a very important role in these efforts.

In my home State of New York, I have a wonderful example of leadership and cooperation in efforts to advance the clean air goals through the use of alternative fuels.

That effort is represented here today by John Clare, who is the director of development and marketing from the Central New York Regional Transportation Authority.

John is responsible for coordinating alternative fuels' initiatives among transit authorities in New York State.

John took on this responsibility about 1½ years ago when several New York State Transit Authorities submitted applications for Federal grant money under the alternative fuels' initiative.

In response to such a later number of interested parties, John started the New York State Alternative Fuels Consortium.

New York was the first State in the Nation to form a statewide consortium.

As a consortium, participants can share knowledge and experience as well as make more cost-effective equipment purchases.

I want to commend the efforts of all of the participants in the consortium, including Syracuse, Buffalo, Rochester, Albany, Binghamton, Nassau County, and the New York City Department of Transportation.

As is obvious by these efforts, and as John will tell the committee today, the transit industry of New York views the enactment of the Clean Air Act of 1990 not as a burden but as a real opportunity.

I look forward to the testimony of all of the panelists and thank each of them for sharing their expertise and suggestions with us here today.

Thank you, Mr. Chairman.

Senator CRANSTON. Senator Mack, do you have any comments?

Senator MACK. I do.

Senator CRANSTON. Yes.

OPENING STATEMENT OF SENATOR MACK

Senator MACK. Thank you, Mr. Chairman.

First, Mr. Chairman, let me thank you and the staff for the work of recruiting qualified individuals from the transit industry to testify at this and other hearings before the subcommittee.

Today one of Florida's leading transportation experts, Florida Secretary of Transportation, Ben Watts, has traveled here to testify for our first panel.

Since becoming secretary in December 1989, Ben has been at the forefront of the needed transportation initiatives in Florida.

Ben personally knows the enormous problems facing States with dual transportation problems, those dual problems being rapid population growth and limited resources to keep up with that growth.

That is the problem Florida transportation officials have.

A State which grows by nearly 1,000 people a day, a 33-percent increase in the last 10 years, must somehow provide for that growth.

The Florida transportation officials I have spoken to regarding transit reauthorization have named three major areas of concern:

First, Florida needs a simplified, consolidated, and comprehensive Federal transportation program which provides increased flexibility to meet the State's diverse needs.

Second, Florida needs the Federal Government to spend down the Highway Trust Fund and the Mass Transit Trust Fund to allow for increased transportation investment.

And third and most importantly, Florida needs to receive its fair share from contributions made to the Highway Trust Funds and the Mass Transit Trust Funds.

A recent Florida-DOT study reported that in 1990 Florida received 53 cents for each $1 it contributed in Federal gas taxes.

According to the Florida Department of Transportation, Florida will receive 3.7 percent of the UMTA formula funds in 1991.

Yet, Florida currently has 5.2 percent of the total U.S. population.

While this discrepancy may seem small, it can add up over the years as programs spend billions of dollars using outdated census data.

One of the examples of this loss to high-growth States comes from two UMTA formula program areas our first panel has been asked to discuss.

Section 9 distributes UMTA funds for capital and operating assistance for areas over 200,000, and for areas under 200,000.

Section 18 distributes UMTA funds for nonurbanized areas as defined by the Census Bureau.

These two programs distributed $1.66 billion in 1989.

Yet, they distributed this $1.66 billion using 1980 figures.

And again I would just underscore, with a State that grows by 33 percent in a 10-year period, you can imagine the impact that the use of that 1980 census information has on a State like Florida.

It has been estimated that we have lost millions from these two programs alone during the fiscal years 1989, 1990, and 1991.

Both of these programs distribute funds primarily based on population figures, and population density from the last census.

This will have to change in order to promote a fair and equitable distribution of UMTA formula funds.

The issue of fair share for Florida and all high-growth States must be addressed by the subcommittee before final action is taken on this bill.

Floridians want a new transportation bill which is fair.

Increased flexibility on the State level, spending down of the Trust Fund balances, and Federal assurances that States receive assistance based on their contributions in Federal gas taxes are issues of national importance.

For States such as Florida which continue to grow at a rapid pace, these concerns are of primary significance and must be addressed in any new transportation legislation.

Thank you, Mr. Chairman.

Senator CRANSTON. Thank you very much, Connie.

Our first witness is a former Secretary of Transportation, and we are delighted to have his expertise and background brought to bear on these problems.

Senator Brock Adams of Washington.

STATEMENT OF SENATOR BROCK ADAMS, A U.S. SENATOR FROM THE STATE OF WASHINGTON

Senator Adams. Thank you very much, Mr. Chairman, and to other members of the subcommittee.

I feel almost like a panel.

As I look at each one of you, I did the Miami subway when I was there, and I remember the New York subway when we tried to cut halfway through, and I stopped the Wilshire Boulevard subway, Mr. Chairman.

So I do feel almost like a panel. But I am here today for a special purpose.

I first want to compliment you very much for holding these hearings and to tell you how terribly important I think they are.

It is a critical issue to millions of Americans.

We have worked on it for over a decade, Senator Mack, two decades that I know of, and we are only now moving toward partial solution.

Over the past 25 years, Mr. Chairman—and I am going to ask for unanimous consent that my entire statement appear in the record at this point, and I will summarize a few of these things so you can move to your next panel, but there are two or three points I do want to make on particular items.

Senator Cranston. So be it.

Senator Adams. For the past 25 years, we have put a great deal of money, and time, and places, and human services for needy Americans.

But it does absolutely no good—and that is going to be my point today, Mr. Chairman—it does absolutely no good to give services to the elderly, or to people who are disabled, if they cannot get to them, whether it is 2 blocks, or whether it is 2 miles, or as you are going to hear in the rural population areas and I am going to refer to that briefly in here in my statement, in some areas 100 percent of the funds that are set aside for aging go to transportation.

This last summer I had the honor of being named chairman of the Labor and Human Resources Committee's Subcommittee on Aging.

This happens to be, though it may seem surprising, the one committee that has jurisdiction over legislation for the aging in the Senate.

We have a number of select committees and so on, but I have a responsibility of chairman to reauthorize the Older Americans Act.

Now we are currently holding hearings, and we are receiving recommendations concerning the act, and they come from a wide array of parties.

But, unlike previous reauthorizations, transportation—and that is why I am here today—has emerged as a consistent and principal overriding concern of those that are involved with the Older Americans Act.

The reason for this is very clear.

The funds being devoted to transportation is increasing as a total portion of the Older Americans Act and is simply removing social service dollars that were really being passed, or that we may authorize for help to our senior citizens, and placed them in transportation.

Title III of the Older Americans Act says, and provides funding for 57 units and 670 local or area agencies, and provides funding for a broad array of things.

Each one of you have been so actively involved with senior populations, because I have heard you again and again on the floor referring to the CARE, and to the manner in which these problems for our senior citizens who are increasing very rapidly.

Of that 33.3 percent in Florida, I would guess that about 30 percent of that will involve senior citizens.

What is happening is, this bill that we are going to reauthorize in front of the subcommittee that I chair, is supposed to provide for:

Home care, and long-term care, things that we may be able to assist a problem that is just overwhelming the United States in health care now;

For long-term care ombudsmen—in other words, to prevent abuse of these people;

Home repair and weatherization;

Congregate meals—in other words, to try and feed some of our ill and frail seniors;

But it also provides for funding for transportation.

I am just so very concerned, and that is why I have taken my time and the subcommittee's time today, that the single largest category that we have in this title III, excluding the congregate meals, is transportation.

A quarter of all the money that we spent, $667 million in fiscal year 1989, was devoted to transportation.

And the amount is growing.

It is just simply overwhelming the whole program.

On rural, for example, Whitman County in the State of Washington is a rural county.

We grow a lot of wheat.

We have a few small towns.

We have a considerable elderly population there.

In that county, the Older Americans Act, Title III(b), spends all of the money it gets on transportation.

There is nothing left for anything else.

I went over and specifically looked at the program, because I was appalled by the idea that we were spending all our money just to get people to the service point, and when they got to the service point then of course you have to raise some kind of money from some place to provide the services.

At this rate, the Older Americans Act is becoming a transportation bill.

More and more we have seen it as the primary provider of transportation. And I do not object to that.

I think we have got to move our senior citizens. But we cannot let all of the money go to it.

So what I am trying to stress is, in the 12 years since I left as the Secretary of Transportation, the ratio of funding for mass transportation has continued to decline.

So I stand with you.

I will be a supporter.

I hope we will go on the floor and we will increase the portion that goes to mass transportation.

Now there are a whole variety of reasons for support for that which leads to clean air, to many of the things mentioned in your opening statements, but I want to be certain that a portion of that goes for some sort of human services' transportation to the senior citizens.

We have to get this additional money.

We will do everything we can to do it. But let me give just four suggestions that I hope the subcommittee will consider as to how we might use the UMTA funds that we have.

First, I think we have to strengthen the responsibilities of the Department of Transportation to coordinate with the Administration on Aging.

In other words, that Department is basically a building department.

I know it very, very well.

It needs to become more social service operated at the Federal level.

Now I use as an example of how that can be done, and some of you already have this in your States, and I might suggest, Senator Mack, you might check.

I think more is needed in the State of Florida, because they have not had the network that exists in the State of New York.

The Washington State Department of Transportation, for example, has received a grant from UMTA to send one of the UMTA employees full time to the State Department's Health and Human Services, DHHS, which includes the aging division, to help improve the coordination and efficiency of the DHHS transportation services.

In other words, there should be a transportation person over there seeing that transportation is being handled and is standing up for the funding that comes out of our State Department.

Third, it is essential to provide for the collection of data.

The example I just used is that the Washington State employee who is on loan highlights this need.

He should not have to be on loan.

There should be an assignment over at the State level and at the Federal level because this person's time right now is just trying to find out where the money is spent.

In other words, physically, Mr. Chairman, we have done a lot of things.

You and I have been involved with putting people up in the back of buses in wheelchairs.

We have put ramps out on the streets.

We have gone with individual jitneys.

In the State level, many people do not know which is the best way to do it.

Finally, I would just hope that we might have a dedicated fund under UMTA for transportation of these special populations.

I know we have section 16(b)(2) and section 18 to provide transportation assistance targeted to the elderly. But I would like to see this stated in the report, and that there be a targeting.

I look forward to working with you, to reauthorizing the UMTA legislation portion of the bill.

I think this is going to be a tremendous struggle this year, and I think that it is very important that we all speak up.

Because if we do not, we are going to build some more highways, and we are going to build a lot more highways and junctions that just will make us have more cars, and our people will not be moved.

Thank you, Mr. Chairman, and I hope your panel will excuse this panel appearing beforehand.

But I feel very strongly about this, and I wanted you to know our views.

[The complete prepared statement of Senator Adams follows:]

STATEMENT OF SENATOR BROCK ADAMS
SENATE BANKING SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS
APRIL 18, 1991

Good afternoon, Mr. Chairman and other Members of the Subcommittee. I would like to compliment you and the other members of the subcommittee for convening this afternoon's hearing. You are addressing a critical issue to millions of Americans: the ability of the elderly and disabled to obtain essential human services. Over the past 25 years we have devoted a great deal of time and money to put in place various human services for needy Americans. It does absolutely no good to provide services if peop can't get to them -- even if they are only two blocks away. In far too many cases a lack of transportation results in the denial of needed services.

This past summer I had the honor of being named Chairman of the Labor and Human Resources Committee's Subcommittee on Aging. One of my key responsibilities as chairman is to reauthorize the Older Americans Act (OAA) this year. We are currently holding hearings and receiving recommendations concerning the Act from a wide array of interested parties. Unlike previous reauthorizations, transportation has emerged as a consistent and principal concern for those involved with the OAA. The reason for this is clear. The amount of OAA funds being devoted to transportation is increasing as a proportion of total OAA social services dollars under Title III.

Title III of the OAA is the major portion of the OAA. This title provides funding for the nation's 57 state units on aging and the 670 local or area agencies on aging. Title III provides funding for the following broad array of human services: home care and other long-term care services, legal assistance, long-term care ombudsmen, home repair and weatherization, elder abuse prevention, congregate meals and home-delivered meals for ill and frail seniors. It also provides funding for transportation.

I was astonished to learn that the single largest category of funding in title III, excluding nutrition services, is transportation. Nearly 25 percent of Title III-B supportive services funds -- a total of $67.7 million in fiscal 1989 -- are devoted to transportation, and the amount is growing. This is simply overwhelming the ability of the OAA to provide its other crucial services. In Whitman County, Washington, the OAA services provider spends all his Title III-B funds on transportation.

At this rate, Title III is on its way to becoming a transportation and meals title. Under the OAA, transportation is appropriately defined as an access service -- a service to enable seniors to get to needed social services. More and more, we have seen transportation become the primary service in and of itself. In 1965, when Congress created the Older Americans Act, I doubt a single member of Congress envisioned that they were, in fact, creating a transportation act.

Yet, it is understandable why this is happening. I don't need to convince you of the importance of transportation. Rather, I wish to stress that the OAA has been forced to move in this direction because there has been such limited support from human services transportation from other sources, particularly UMTA.

It has been 12 plus years since I left my position as Secretary of Transportation. During that period the ratio of federal surface transportation funding for mass transportation has continued to decline. **UMTA funding needs to increase**. **Some of this new funding should go to a dedicated source for human services transportation.**

While we need to secure additional funding for transportation services for the elderly, both through the OAA and through the Surface Transportation Assistance Act, the reality is that the funds are scarce. We must therefore ensure that existing resources, both operating and capital, are used in the most efficient way possible.

Let me close with several suggestions:

1. We must strengthen the responsibilities of DOT to coordinate with the Administration on Aging;

2. We need to strengthen the coordination of transportation services at the state and local levels. By way of example, the Washington State Department of Transportation has received a grant from UMTA to send one of its employees to work on a full time basis with the state's Department of Social and Health Services (DSHS), which includes the state aging division, to help improve the coordination and efficiency of DSHS supported transportation services.

3. It is essential to improve the use and collection of data, without which we can't very easily substantiate the need for change. The example I just used regarding the Washington State DOT employee who is "on loan" to DSHS highlights this need. I have been told that almost all of this person's time up until now has been spent trying to determine how DSHS spends its money on transportation and where there is considerable unmet need and need for greater coordination of services.

4. Finally, we should carefully examine proposals such as a dedicated fund under UMTA for transportation for the elderly and other special populations. This fund should include increased funding for existing programs under U.S. DOT, particularly

Section 16(b)(2) and Section 18 programs, that currently provide transporation assistance targeted to the elderly.

Mr. Chairman, thank you for this opportunity to express my concerns today. I look forward to working with you as we go through the process of reauthorizing the UMTA and addressing these important issues.

Senator **Cranston**. Thank you, Brock, very much. That was very constructive and helpful testimony.

We now turn to our first panel on transit in rural and small urban areas consisting of Craig Cole; Jerry Hall; David King; Bill Schomisch; and Ben Watts.

Would you please come forward? [Pause.]

I thank you all for your presence. I guess we might as well start in the order in which you are listed on the agenda.

We will hear first from Craig Cole, general manager, Topeka Metropolitan Transit Authority, representing the South West Transit Association and the Kansas Public Transit Association from DeSoto, TX.

I would like to ask each of you to try to cover your statement verbally in not more than 5 minutes.

You will have the full statement in the record. That will give us more time for questions.

Before we begin I have a statement from Senators Sanford and Sasser to insert in the record.

OPENING STATEMENT OF SENATOR SANFORD

Senator **Sanford**. Mr. Chairman. I would like to thank you for holding this hearing on the reauthorization of the Urban Mass Transit Act. I am particularly glad that this committee is looking into the needs of rural and small urban systems, and I want to extend a very warm welcome to David King of the North Carolina Department of Transportation who is testifying here today.

The need to improve our public transportation systems is readily apparent. Our roadways are becoming more congested, our skies more polluted, and our country more dependent on foreign oil. Public transportation offers a promising solution to these serious problems facing our Nation. However, as we move to reauthorize UMTA programs this year, I believe there are several fundamental questions which we must consider.

First and foremost, I believe there is a serious problem that Congress must address in the UMTA reauthorization bill, and it is a problem of equity. My State of North Carolina, for example, receives less than $2 million from the Mass Transit Account for every $40 million in Federal transit tax dollars it contributes. That figures out to about a nickel on the dollar and simply is an outrage.

UMTA funds go primarily to a small number of States, and I believe an important job for this committee is to find ways of allowing more States to compete for transit money. It is unfair to expect a State like North Carolina to continue paying so much into a fund to serve other States while remaining unable to adequately meet the public transportation needs of its own residents.

I am not refuting the fact that our large urban centers are in desperate need of UMTA assistance. However, we must remember that it is not only these large urban centers that need money. Our Nation's smaller cities and rural areas have serious transit needs as well, and I believe we must structure this UMTA reauthorization bill to fairly meet the varied public transportation needs of this country.

Currently, less than 3 percent of UMTA funds are allocated to rural areas and less than 6 percent to small urban areas. However, the needs of these communities are tremendous. The Community Transportation Association of America estimates that more than half of the rural poor do not have a car and nearly 60 percent of the rural elderly are not licensed to drive. Yet, almost half of the rural counties in the United States do not have a public transit system.

I have been concerned for some time with the quality of life in our rural communities. When this committee was working on the National Affordable Housing Act, I pushed hard to improve and increase funding for rural housing programs. Likewise, I believe that as we proceed in UMTA reauthorization we must increase the emphasis on rural transportation programs because these programs offer us another opportunity to improve living conditions for our rural citizens.

Again, thank you, Mr. Chairman, for putting this hearing together. I look forward to hearing the ideas of our distinguished panel of witnesses.

STATEMENT OF SENATOR JIM SASSER

Senator SASSER. I would like to thank you, Mr. Chairman, for holding this hearing. I appreciate the opportunity to examine the particular mass transit needs of rural and small urban areas, the elderly and handicapped and the impact of the Clean Air Act and the Americans With Disabilities Act on mass transit.

I would also like to give my personal welcome to Alvin Pearson of the Southwest Human Resource Agency in Henderson, TN. Mr. Pearson also serves as the president of the Tennessee Association of Specialized Transportation. I look forward to hearing his views on specialized transit.

Mass transit enables people to get where they want to go, and it cuts down on road congestion and air pollution. I believe that mobility and clean air are significant to our quality of living.

For many people, taking mass transportation is a choice because they have an alternative means of transporation. But for too many others, it is not a choice. If they are elderly or poor, they can be immobile if transit services are not available. People can be effectively shut out from society without mobility.

The Americans With Disabilities Act recognized that transportation services should be available and accessible to the disabled so that they can be a vibrant part of our society.

Rural areas need mobility too. The great dispersion in these areas requires more time and mileage to service. Mass transit can bring people to jobs which is important to the well-being of our economy.

Better usage of the mass transit option can cut down on congestion on our highways and roads which also contributes to the productivity of the Nation. At the same time, mass transit assists in cutting down air pollution. The Clean Air Act makes significant demands on cities and communities not only to work toward cleaning the air we breathe, but in fact to accomplish this goal.

These are very constructive goals, but also ones that require a new look at how our mass transit system is structured. The ideas and suggestions of the panels will be valuable in assisting the committee in formulating a well-balanced transit program that meets diverse needs.

Thank you again, Chairman Cranston, for holding this important hearing. I commend you for bringing together such a distinguished panel of witnesses.

STATEMENT OF CRAIG COLE, GENERAL MANAGER, TOPEKA METROPOLITAN TRANSIT AUTHORITY REPRESENTING SOUTH WEST TRANSIT ASSOCIATION AND THE KANSAS PUBLIC TRANSIT ASSOCIATION, DeSOTO, TX

Mr. Cole. Thank you and good afternoon, Mr. Chairman, and members of the subcommittee.

My name is Craig Cole, and I am general manager of the Topeka Transit Authority in Topeka, KS.

I know you have a long day of hearings, so we will make this relatively brief.

Topeka Transit operates 38 transit vehicles that serve approximately 1.2 million riders each year.

We belong to several transit industry associations, including the American Public Transit Association, the Kansas Public Transit Association, and we are proud to say that we are the newest member of the South West Transit Association.

The South West Transit Association does include States from Arizona, Arkansas, Louisiana, New Mexico, Oklahoma, Texas, and of course Kansas.

All of us are united in advocating a fair and equitable mass transit program that meets the needs of public transit agencies of all sizes, ranging from the larger metropolitan authorities to the midsized systems like Topeka, and of course our rural neighbors that are really growing more and more numerous every year.

We believe that the words "fair and equitable" mean a return to inflation-adjusted transit spending levels that existed before the transit budget was slashed in 1981.

Certainly while the Urban Mass Transportation Administration under Administrator Clymer has shown an unprecedented willingness to cooperate with the industry in framing its reauthorization proposal, it really falls short in a number of areas.

First of all, for an example, the UMTA proposal calls for a transit budget in 1992 of $3.2 billion to be funded almost entirely from the Federal gas tax.

A total restoration of the transit budget to its pre-1981 levels would bring transit spending to $6.5 billion, which could be funded by the existing gas tax, the new gas tax recently imposed, a spenddown in the mass transit account of the Highway Trust Fund, and a slight increase in the general revenue support.

The major point to be made here is that the gas tax revenues, especially those from the new tax, should not replace the existing general funds.

Fairness and equity really means a lot of things to communities like Topeka.

One of the main issues that we are having to focus on is the local match requirements.

The UMTA proposal to raise the local match requirements from 20 to 40 percent would be devastating to a small rural program such as that in Topeka where we do not have access to a local dedicated source of funding such as a sales tax.

In these recessionary times, smaller cities such as Topeka simply do not have the financial resources to double the local match for transit.

Increasing that amount of local funding at this time could put smaller systems such as ours in a difficult and precarious position of having to choose between capital and operating expenditures.

If such a choice is made, one will suffer at the expense of the other, and eventually the entire system would suffer.

An increased local match would even add more financial difficulties on our rural systems that are barely able to secure the local support that they need today.

Kansas has over 100 rural providers that depend upon UMTA section 18 funding.

Many of these would be unable to continue were they forced to increase their sparse local funding at this time, resulting in the inability of thousands of citizens in the State of Kansas to have access to jobs, medical facilities, and schools.

Fairness and equity means limiting the scope of the proposed flexible funding whereby the transit and highway funds could be used interchangeably according to local decisions.

We believe that the basic concept of the program on an experimental basis might work, but we believe that such a program should not be implemented until all transit needs are met.

Basically, if Congress chose to fund transit at the $6.5 billion level to bring it back to the 1981 level, then certainly we would consider this type of a program.

In conclusion, fairness and equity in transit funding, especially for small and rural transit systems, mean the ability to plan for the future to expand and improve transit services for the transit-dependent, and to know that the Federal Government is serious about continuing its support for public transit.

Our systems play a vital role in our communities, ensuring those who need transportation to get to jobs, to schools, to health care, to recreational activities can get it when they need it.

Public transit will be in an increasingly important role in the years to come, especially as our population increases and our energy resources become less and less certain.

Topeka Transit, the Kansas Public Transit Association, South West Transit Association, and the American Public Transit Association urge you to help us make public transit funding fair and equitable for all the citizens once again.

Thank you very much for this opportunity.

[The complete prepared statement of Craig Cole follows:]

SOUTH WEST TRANSIT
ASSOCIATION

Testimony of

Craig Cole, General Manager
Topeka Metropolitan Transit Authority
Topeka, Kansas

(representing the South West Transit Association
and the Kansas Public Transit Association)

before the

Housing and Urban Affairs Subcommittee
Senate Committee on Banking, Housing, and Urban Affairs

Wednesday, April 10, 1991

217 E. Belt Line Road
DeSoto, Texas 75115
214-223-6797
214-230-9240 (FAX)

Mr. Chairman and Members of the Subcommittee,

My name is Craig Cole, and I am General Manager of the Topeka Metropolitan Transit Authority in Topeka, Kansas. Topeka Transit operates 38 vehicles and serves more than 1.2 million riders every year. Topeka Transit belongs to several transit industry associations, including the American Public Transit Association, the Kansas Public Transit Association, and the South West Transit Association. We join these organizations in advocating a fair and equitable mass transit program that meets the needs of public transit agencies of all sizes, ranging from the larger metropolitan transit authorities, to mid-size systems like Topeka, to the smaller rural transit systems that are growing more numerous and that serve a larger segment of our population every year.

Topeka Transit is the newest member of the South West Transit Association, which is comprised of transit systems of all types and sizes from the states of Arizona, Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, and Texas. The association has worked closely with APTA, the Kansas Public Transit Association, the Community Transportation Association of America, and other groups to ensure that the reauthorization of the transit portion of the Surface Transportation Act is fair and equitable.

We believe that the words "fair and equitable" mean a return to the inflation-adjusted transit spending level that existed before the transit budget was slashed in 1981. It means ensuring that the funds available through the increased gasoline tax are new funds and are not merely replacing existing general revenue funding. It means retaining current regulations governing local matching funds and operating assistance to ensure that our small urban and rural systems are not penalized financially at the same time the overall transit budget is increasing. It means increasing the overall percentage of funding available to transit systems serving our rural areas and our elderly and handicapped population. And it means limiting the proposal to transfer transit funds to highway construction only after current transit needs are met.

The Urban Mass Transportation Administration has shown an unprecedented willingness to work with the transit industry as it framed its reauthorization proposal. Administrator Brian Clymer is to be commended for his cooperation and his desire to implement a proposal that has many positive features for public transit. We understand the budgetary constraints under which UMTA and other federal agencies are forced to operate. But we also know that fairness and equity would result in a somewhat different approach to reauthorization than that taken by UMTA.

For example, the UMTA proposal calls for a transit budget in FY92 of approximately $3.2 billion, to be funded almost entirely from the federal gas tax. Topeka Transit joins the South West Transit Association and APTA in supporting transit funding at its inflation-adjusted level that existed before 1981. Total restoration of that level would bring transit spending to $6.5 billion, which could be funded by the existing gas tax, the new gas tax recently imposed, a spend-down in the Mass Transit Account of the Highway Trust Fund, and slightly increased general revenue support. The major point to be made here is that gas tax revenues, especially those from the new gas tax, should not replace existing general revenue funds. The gas tax funds should be considered additional funding for transit, not replacement for general revenue support (which is what happened in the early 1980's).

With this balanced combination of gas tax support and general revenue funding, public transit funding will at last become a dependable and reliable source of funds for our systems. Formula programs, which are the lifeblood of our small urban and rural systems, should be supported by the steady income of the gas tax. Discretionary programs, which provide funding for larger systems and new-start projects, should be financed by general revenues.

Fairness and equity also mean keeping local match requirements at their current level. The good news about the UMTA proposal is that it increases transit funding slightly from last year's level. The bad news is that it would require transit programs to provide 40% of the funds for formula grant programs, double the current level of 20%.

Such a drastic change in local match requirements would be devastating to smaller urban and rural systems that do not have access to a local dedicated source of funding such as a sales tax. Many systems have built their long-range budgets on the 20% local match requirements, and a change in that percentage could push many financially stretched systems into drastic service cuts. In these recessionary times, smaller cities such as Topeka do not have the financial resources to double the local match for transit. Increasing that amount of local funding at this time could put smaller systems such as ours in the uncomfortable position of having to choose between capital and operating expenditures. If such a choice is made, one side would surely suffer at the expense of the other.

An increased local match would place an even greater financial burden on rural systems that barely are able to secure local support today. Kansas has more than 100 rural providers that depend on UMTA Section 18 funding. Many of those would be unable to continue if they were forced to increase their sparse local funding at this time, resulting in the inability of thousands of our citizens to have access to their jobs, medical facilities, and schools.

Fairness and equity mean not placing an additional paperwork burden on our small urban and rural systems by forcing them to recalculate what is and is not available for UMTA funding under its new definition of operating assistance. The UMTA proposal calls for changing operating assistance to funding for "non-capital expenses" such as tires, materials, and supplies (but not including fuel and lubricants or labor). The UMTA proposal would essentially cap funds available for "materials and supplies" at the FY91 operating assistance level. Since labor costs make up a large portion of existing operating expenses, smaller systems would be hard-pressed to search for additional non-capital expenses that would equal their current level of operating assistance.

Fairness and equity mean increasing the amount of funding available for transit programs serving our rural residents. The UMTA proposal calls for funding for rural formula systems -- funded under the Section 18 program -- at just under 3% of the total transit budget. Topeka

Transit and the Kansas Public Transit Association have joined with the South West Transit Association and the Community Transportation Association of America in advocating a spending level of 7.5% of the total transit budget for rural programs. This rapidly growing segment of the transit industry needs additional funding as our rural residents become an increasingly important segment of transit ridership.

Topeka Transit, KPTA, and the South West Transit Association also support funding for elderly and handicapped transit programs at a minimum of 1.5% of the overall transit budget. Funding for this vital service should be allowed to grow as the overall transit budget grows during the next few years.

Finally, fairness and equity mean limiting the scope of the proposed "flexible funding" program whereby transit and highway funds could be used interchangeably according to local decisions. While such a program has a great deal of merit, it has several drawbacks. Many highway programs are available with a local match of as little as 10%, compared to the 20% match currently required for transit (and the 40% called for by UMTA). The smaller local match required for many highway programs would almost certainly bias local decision making toward shifting funds from transit to highways. In addition, under the Administration proposal, only 25-30% of highway funding could be used for transit purposes, while 100% of transit funding could be shifted to highways.

Topeka Transit, KPTA, and the South West Transit Association all support the basic concept of this program on an experimental basis. We believe such a program should not be implemented until all transit needs are met. In other words, if Congress chose to fund transit above the $6.5 billion level needed to bring transit back to its pre-1981 levels, we would welcome using those funds above the $6.5 billion for a flexible funding program. Transit needs should come first before flexible funding is implemented.

Fairness and equity in transit funding, especially for small urban and rural transit systems, means the ability to plan for the future, to expand and improve transit services for the transit-dependent, and to know that the federal government is serious about continuing its support for public transit. Our systems play a vital role in our communities, ensuring that those who need transportation to get to jobs, schools, and health care can get it when they need it. Public transit will play an increasingly important role in our urban and rural life in the years to come as our population ages and our energy resources become less and less certain. Topeka Metro, the Kansas Public Transit Association, and the South West Transit Association urge you to help us make public transit funding fair and equitable for all our citizens once again.

Senator CRANSTON. Thank you a great deal.

We are going to skip you, Mr. Hall, because Richard Bryan wanted to be here to hear you, and he is on his way but has not gotten here yet. So we will go to Mr. Schomisch who is transportation director, Kalamazoo Department of Transportation, Kalamazoo, MI.

STATEMENT OF BILL SCHOMISCH, TRANSPORTATION DIRECTOR, KALAMAZOO DEPARTMENT OF TRANSPORTATION, KALAMAZOO, MI

Mr. SCHOMISCH. Thank you, Mr. Chairman, members of the subcommittee.

I would first like to express my appreciation for the opportunity to testify today.

Kalamazoo Metro Transit operates a fleet of 40 vehicles and serves a metropolitan area of approximately 172,000.

Our department employs 92 people.

We provide over 1 million miles of service annually, and transport 1.6 million passengers per year.

Like other small urban transit systems, our ridership is largely workers with lower incomes, students, senior citizens, or people with disabilities, those who must depend upon public transit for all of their transportation needs.

Sixty percent of our riders have family incomes under $12,000, and 87 percent of our riders are considered "captive."

Our service is considered crucial to those who need it for work, school, shopping, medical, and other trips.

This reauthorization process offers an opportunity for Congress to address those major issues which currently affect the movement of people in this Nation.

Specifically: energy independence and conservation; traffic congestion; air quality; competitiveness and productivity; and accessibility and the general mobility of our citizens.

The administration's reauthorization proposal in my mind is a good starting point.

However, the proposal fails to go far enough in adequately addressing those major issues and, in my opinion, does not present a balanced effort in dealing with mobility demands while also conserving our natural resources and preserving our environment.

Their emphasis would seem to be on the movement of cars rather than the movement of people.

This reauthorization process is an opportunity for positive change.

The problems affecting our quality of life and the economic health of our communities can be addressed by public transit.

Public transit can be and should be part of the solution.

What we as an industry are requesting, and what I am asking for today, is the establishment of an adequate 5-year program that restores full program funding to the level of 10 years ago, allowing for inflation, provides for a reasonable program growth to meet future operating and capital needs, and eliminates the bias toward highways given the administration's proposal for a 39-percent increase in highway funding versus a 3-percent increase in public transit over the next 5 years.

In speaking directly to the reauthorization effort, I would like to address several specific points.

No. 1, we must maintain the Federal, State, and local partnership that now exists in both the operation and capitalization of public transportation services.

The Federal Government should continue to provide operating assistance to all transit systems regardless of size.

The Kalamazoo Metro Transit Federal operating assistance represents 22 percent of our annual budget.

With the decreased Federal share to 60 percent, a greater local share would be required just to maintain our current operations.

For Michigan, that could mean an additional $17 million that has to be generated at the local level.

We could not pretend that local and State governments have the necessary financial resources.

Current matching ratios should be reauthorized at not less than existing levels.

Where is the program equitability when certain highway segments can be funded at 90 percent, while public transit programs receive only 60 percent or less?

At the same time, rural systems under the section 18 program should have greater access to Federal funding for both capital and operating needs.

Ten years ago in Michigan section 18 properties received 50 percent of their operating budgets through Federal funding.

Today that figures is only 10 percent.

The highest priority for discretionary funding, the section 3 program, should be to maintain the existing infrastructure.

There is no guarantee that specific Federal funding would be available to assist us with our bus replacement needs, let alone nationwide, at the proposed 60-percent level.

Overall in Michigan, in excess of 400 buses per year need to be replaced over the next 4 years.

The situation is critical for us.

No. 2, reauthorization should guarantee sound financial public transit services at all levels.

Segregated motor fuel taxes should continue to be dedicated to meeting the growing transportation infrastructure needs of this Nation, and not be used to offset the Federal deficit.

Revenues already available in the Mass Transit Account to the Highway Trust Fund should be released.

However, dedicated revenues should not be substituted for levels of general fund support currently available.

Incentives should be established for State and local governments to provide dedicated revenue sources to support public transit programs.

In addition, the definition of "public transportation" should be broadened to include some forms of charter subscription and contractual services.

The small urban transit operators support the position of offering incidental charters operated solely within their service area which are now prohibited by Federal regulations.

In small urban and rural areas where private providers are limited or nonexistent, local group transportation needs are going unmet.

In Kalamazoo, groups are paying a higher fee to a private operator who subsequently subcontracts with us to provide this service.

It is very difficult to explain to a local taxpayer who already supports our system that we cannot provide the bus service that he or she is requesting.

I guess I will end my remarks right there.

Thank you.

[The complete prepared statement of William Schomisch follows:]

TESTIMONY OF
WILLIAM J. SCHOMISCH, TRANSPORTATION DIRECTOR
KALAMAZOO METRO TRANSIT SYSTEM, KALAMAZOO, MICHIGAN

SENATE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

APRIL 18, 1991

Mr. Chairman and Members of the Committee:

I first want to express my appreciation for the opportunity to testify today on the reauthorization of the Surface Transportation Act. On behalf of the Kalamazoo Metro Transit System, I welcome the opportunity to share with you our views regarding the existing Surface Transportation Act, as well as our recommendations on changes that should be made.

I am here today in my capacity as Transportation Director of the Kalamazoo Metro Transit System, and as a representative of small urban, rural, and specialized transit interests. I will testify from the perspective of both a manager of a small urban transit system, a Board of Director of the Michigan Public Transit Association (MPTA), and an active member of the American Public Transit Association (APTA).

Kalamazoo Metro Transit operates a fleet of 40 vehicles and serves a metropolitan area of approximately 172,000. Our department employs 92 people, and we provide over 1 million miles of service annually and transport 1.6 million passengers per year. Like other small urban and rural operations, our ridership is largely workers with lower incomes, students, senior citizens, or people with disabilities -- those who must depend upon public transit service for all of their transportation needs. 60% Of our riders have family incomes under $12,000, and 87% of our riders are considered "captive". Our service is considered crucial to those who need it for work, school, shopping, medical, and other trips.

Let me first point out that the reauthorization process offers the opportunity for Congress to address those major issues which currently affect the movement of people in this nation, specifically energy independence and conservation, traffic congestion, air quality, competitiveness and productivity, accessibility, and the general mobility of our citizens. The Administration's reauthorization proposal is, in my opinion, a good starting point. However, the proposal fails to go far enough in adequately addressing those major issues and, in my opinion, does not present a balanced effort in dealing with the nation's increased mobility demands while also conserving our natural resources and preserving our environment. Their emphasis would seem to be on the movement of cars rather than the movement of people.

This reauthorization process is an opportunity for positive change. Public transit can be a key element in achieving the national transportation policy goals announced by the Administration in March, 1990. The problems affecting our quality of life and the economic health of our communities can be addressed by public transit. Public transit can be, and should be, part of the solution.

What we as an industry are requesting, and what I am asking for today, is the establishment of an adequate five-year program that restores full program funding to the level of ten years ago, allowing for inflation; provides for reasonable program growth to meet future operating and capital assistance needs; and eliminates the bias towards highways given the Administration's proposal for a 39% increase in highway funding versus a 3% increase for public transit over the next five years.

In speaking directly to the reauthorization effort, I would like to address several specific points.

(1) We must maintain the federal, state, and local partnership that now exists in both the operation and capitalization of public transportation services. The federal government should continue to provide operating assistance to all transit systems, regardless of size. For Kalamazoo Metro Transit, federal operating assistance represents 22% of our annual operating budget. If the Administration is successful in redefining "associated capital maintenance items" under the Section 9 program, it is conceivable that current operating grant-funded eligible items will become ineligible. And, with a decreased federal share to 60% or less, a greater local share would be required just to maintain our current operating budgets. For Michigan, that could mean an additional $17 million that has to be generated at the local level. We cannot pretend that local and state governments have the necessary financial resources. We need adequate and equitable federal funding.

Current matching ratios for all programs should be reauthorized at not less than existing levels. Where is the program equitability when certain highway segments can be funded at 90% federal participation, while public transit programs could receive only 60%, or less ~~and in some cases 50%~~? At the same time, rural systems under the Section 18 program should have a greater access to federal programs to fund both capital and operating needs. Ten years ago in Michigan, Section 18 properties received 50% of their operating budgets through federal funding; today only 10% of their budgets.

The highest priority for discretionary funding, the Section 3 program, should be to maintain the existing infrastructure, and specifically the replacement of existing bus fleets.

Kalamazoo Metro Transit replaced its entire fleet of buses in early 1980. The federally mandated 12-year life cycle is now coming to an end and replacement buses are sorely needed. Under the Administration's proposal, there is no guarantee that sufficient federal funding would be available to assist with our bus replacement needs, let alone nationwide at the proposed 60% level. Overall in Michigan, in excess of 400 buses per year will need to be replaced over the next 4-year period. This situation is critical.

(2) Reauthorization should also guarantee a sound financial base for public transit services at all levels. Segregated motor fuel taxes should continue to be dedicated to meeting the growing transportation infrastructure needs of this nation, and not be used to offset the federal deficit. Revenues already available in the Mass Transit Account of the Highway Trust Fund should be released. We support the Administration's change in direction on this issue. However, at the same time, dedicated revenues should not be substituted for levels of general fund support currently available. Public transit funding has been slashed by 50% over the last 10 years, and these cutbacks have certainly taken their toll in Michigan and across this nation. Since 1982, because of both federal and local funding constraints, Kalamazoo Metro Transit has cut 46% of its service miles and hours. Correspondingly, we experienced a matching 46% drop in ridership between 1982 and 1989.

Incentives should be established for state and local governments to provide dedicated revenue sources to support public transportation programs. Transit agencies should have the ability to pledge future formula funds to secure private sector capital financing. Additionally, the United States Tax Code should be revised to encourage greater private investment in public transportation, and I, as well as others, certainly support the premise of equitable treatment for both employer-subsidized parking and transit passes.

In addition, the definition of public transportation should be broadened to include some forms of charter, subscription, and contractual services. The small urban transit operators that I have talked with support the position of offering direct and incidental charters operated solely within their service area which are now prohibited by federal regulations. As a result, in small urban and rural areas where private providers are limited or nonexistent, local group transportation needs are going unmet. Or, as in Kalamazoo, groups are paying a higher fee to a private operator who subsequently subcontracts with us to provide this service. It is very hard to explain to a local taxpayer who supports our system why we cannot provide the bus service he or she is requesting.

(3) Reauthorization should encourage the coordination of all transportation services, both public and private. The Administration's proposal addresses this issue, but again, does not go far enough. Specifically, the federal government should mandate the coordination of all federal transportation funds. Client-specific programs such as for seniors, handicappers, or job training students should be required to coordinate services with each other and with any other public operators. At the same time, incentives should be developed to assist with intermodal connections, not only between highway and transit improvements, but also between public services and those provided by private intercity bus, rail, and air carriers.

A new category of funding should be implemented to provide assistance to private carriers serving the intercity needs of rural areas across the nation. Private sector intercity service in rural areas has suffered since 1982 when deregulation went into effect. This is particularly a problem in Michigan, specifically within the upper peninsula area where intercity service has been cut drastically. A new funding program of capital and operating grants, separate from the current Section 18 program, would ensure that public transportation needs in rural areas would be met.

(4) Reauthorization should require that land use and transportation planning be coupled with the funding of transportation improvements in an effort to encourage localities to consider the best transportation alternative to resolve both mobility and air quality problems. Incentives should be provided to reward local areas and states which implement land use controls to encourage economic development which can be served efficiently and effectively by both highways and transit. Economic development efforts must be coordinated in order to maximize our limited resources to facilitate travel across all transportation modes.

(5) Finally, reauthorization should expand federal support for basic research planning, training, and human resources activities. We are again in agreement with the Administration on this issue. Those small operators that I have talked with support the premise of a 3% off-the-top allocation from the Mass Transit Account specifically for research-related activities. For public transportation to meet its commitment to the public it serves, and to the nation's transportation goals, it must have adequate funds to conduct short- and long-range planning and to investigate the application of new technologies. Without these activities, public transportation will not be able to keep pace with increasing demands.

To summarize, the reauthorization concerns that are important to small urban and rural operators are as follows:

- Both Section 9 and Section 18 funding for capital and operating assistance to small urban and rural transit systems must be increased. We have to reinvest in our infrastructure. As a colleague from a small urban system recently related, small urban and rural systems are not fighting "congestion", they are fighting "isolation".
- Operating assistance must be maintained for all operators large and small. A reduction in those funds could prove disastrous in terms of service cutbacks and/or fare increases placed upon a population segment which truly depends upon our service. Over the past 10 years, we have tripled our fares and passed local millages. We must have continued federal participation.
- There is a concern for the flexibility issue being promoted in the Administration's proposal. Specifically, we need continued protection for our funding. A small transit operation will lose out to highway interests if the flexibility proposals being offered by the Administration are adopted. To allow either state transportation departments or metropolitan planning organizations (who are historically weighted toward road interests) to determine priorities for the use of transit dollars would jeopardize public transit as a cost effective alternative to increased highway spending.
- We also do not support the "block grant" approach whereby our Section 18, Section 16(b), and Section 9 programs for areas under 200,000 are administered by the state. The possibility for increased bureaucracy and red tape, to say nothing of UMTA's proposal to allow states to use formula allocations to pay for administrative costs of the programs, is both negative and counterproductive.
- We are also concerned about designated recipient status. Currently, Kalamazoo, as an area under 200,000, is a designated recipient of federal funds. Should that designated recipient status be changed, and governors are provided with greater power to move allocations within any given state, as operators we lose the predictability we currently have in planning for and providing the needed services we offer. The current policy works well. There is no need to fix it.
- Finally, regarding the elimination of operating assistance in areas over 1,000,000, many of these areas currently receive service through a number of small operators. It is unclear to us whether or not the Administration's proposal to eliminate operating assistance in areas of over 1,000,000 population would totally eliminate their federal operating assistance.

The public transit situation in Kalamazoo is not unique. Over the past 15 year period, we have made use of federal and state dollars, along with local government contributions and passenger fares, to provide what our users and elected officials feel is an appropriate level of service. We have, in concert with other transit systems across the country, formed a partnership between federal, state, and local governments to provide this needed service. We do not want to see that partnership change. In Kalamazoo, we have a special voter-approved transit tax specifically to support our public transit operations. We are also doing what we can to financially plan for both fleet replacement and the demands that will be placed upon us by the Americans with Disabilities Act, the Clean Air Act, EPA requirements for underground storage tanks, drug testing for employees, and alternative fuels technology. All of these necessary "quality of life" improvements have a price tag, and we cannot meet these demands without continued and increased federal participation.

In Michigan, segregated gas tax revenues support public transit programs and match the federal dollars we now receive. We have maximized the dollars available on the state level; we have already gone to our local voters for dedicated financial support in a time of limited resources and increased operating costs. As small operators, we cannot exist without the federal program. The partnership works, and it needs to continue. This is not just good business. It is also good public policy for this nation.

Thank you for this opportunity to address this subcommittee.

Senator CRANSTON. Thank you very much.

We will now go back to Jerry Hall, executive director of Regional Transportation Commission, Reno.

We are delighted to have you with us, and we are delighted to have Senator Bryan with us.

Senator BRYAN. I am delighted to see Mr. Hall here, as well. He runs an outstanding program, Mr. Chairman, and we are very proud to have him here with us today.

STATEMENT OF JERRY HALL, EXECUTIVE DIRECTOR, REGIONAL TRANSPORTATION COMMISSION, RENO, NV

Mr. HALL. Thank you very much, and good afternoon.

My name is Jerry Hall. I am the executive director of the Regional Transportation Commission in Reno, NV.

I appreciate the opportunity to appear and present comments concerning reauthorization of the Urban Mass Transportation Act.

Our comments will generally summarize the written remarks which were submitted earlier.

Our agency is responsible for operating Citifare, a fixed-route public transportation system; CitiLift, paratransit service for the transportation-disabled; and we fund a rural transit operation at North Lake Tahoe, NV.

We serve as the metropolitan planning organization providing transportation planning for the region, and are responsible for the design and construction of certain streets and highways in the region.

Because of this unique mix of responsibilities, I think we bring a different perspective to your hearing today.

The Reno area experienced growth of approximately 2.8 percent per year during the 1980's.

We estimate current population at 215,000.

Although air quality in the community is generally good, like many other communities we are struggling to maintain and improve air quality.

The street and highway system in our community generally provides a high level of service.

As with larger communities, the impact of planned growth is tending to create deficiencies within the system.

The regional transportation plan for the region projects that vehicle miles of travel will increase 119 percent, and hours of delay will increase 331 percent by the year 2007.

We actually expect a much greater increase in hours of delay since the highway improvements contemplated in the RTP are not constructable because of projected funding shortfalls.

As hours of delay increase, there will be associated increases in fuel consumption and auto emissions.

As with larger communities, highways and automobiles are not the solution.

In fact, they seem to be a large contributor to the problem.

Although demand management strategies are being identified and pursued aggressively, we believe the greatest potential to reduce vehicle miles of travel lies with public transportation.

Our public transit system was started in 1978 through a partnership with the Urban Mass Transportation Administration.

UMTA has assisted the RTC in acquiring vehicles and facilities.

Ridership has increased, and our fare box revenues are well above the national average.

Unfortunately, over the last 10 years operating assistance has declined dramatically.

In 1990, UMTA's contribution was only 10 percent of our fixed-route operating expense, and this at a time when additional requirements were being mandated through the Clean Air Act and the Americans With Disabilities Act.

To look at it another way, operating assistance from UMTA would have only covered 55 percent of the paratransit operating cost, and would not have contributed at all to the fixed-route system.

Finally, the planning and regulatory changes which have occurred over the years have substantially increased the cost for providing transit planning.

In 1990, the Urban Mass Transportation Administration's section 8 planning support provided only 3 percent of the funds necessary for transportation planning.

I believe that our problems are similar to those being encountered throughout the country.

To position transit to contribute in a meaningful way to improving air quality, providing transportation to the disabled, and mobility options to all Americans, we would suggest for your consideration the following:

In the transportation planning area, the current transportation improvement program which includes and requires an annual and 3-year element, should be expanded to a 5-year program.

Coordination of all modes, including air and ground transportation should be enhanced and included in the 3(c) process.

Additional funding should be provided to support transportation planning as a means of fostering strategic planning and productivity improvement.

In the rural transit area, we suggest increased funding to support rural transportation.

The current matching ratio requirements should at least be maintained.

The administration's proposal concerning highway and transit fund flexibility should be modified to eliminate bias between the program's so rational decisions concerning highway and transit strategies can be made based upon community long- and short-term needs.

Public agencies should be allowed access to funding for special equipment to transport the disabled either through section 16(b)(2) or through new funding added to section 9.

The Congress should increase amounts available for operating or maintenance assistance.

In this regard, the RTC supports the American Public Transit Association proposal requesting Congress to authorize and appropriate $6.5 billion for transit in fiscal year 1992, and to let this amount grow to $11 billion over the next 5 years.

That would bring a 5-year program total of $39 billion.

This proposal affects all systems large and small.

Finally, the Congress should maintain or increase the Federal share in capital projects to demonstrate the Federal commitment to building a stronger transportation infrastructure.

We agree that congestion management, demand management, and other similar strategies will be useful in optimizing transportation effectiveness, but we should remember that it is impossible to simply mandate the kinds of changes which will be contemplated in the transportation system management strategies.

Useful and cost-effective alternatives must be in place.

Public transportation provides the single strongest alternative mode for improving mobility, reducing congestion, and eliminating dependence on foreign oil.

We are hopeful that the Congress will strengthen the priority of public transit through the reauthorization process, increase the commitment to funding public transportation service planning, and implement the transportation strategies that are being suggested to you.

I thank you again for the opportunity to appear today. I hope my comments and written remarks will be of use to you in your deliberations.

I will be happy to respond to questions at the appropriate time.

[The complete prepared statement of Jerry Hall follows:]

Statement of

JERRY L. HALL, EXECUTIVE DIRECTOR

REGIONAL TRANSPORTATION COMMISSION

RENO, NEVADA

Before the

Subcommittee on Housing and Urban Affairs

of the

U. S. Senate

Committee on Banking, Housing and Urban Affairs

April 18, 1991

Regional Transportation Commission
2050 Villanova Drive
Reno, Nevada 89502

INTRODUCTION

The Regional Transportation Commission (RTC) is a special-purpose unit of government responsible for implementation of streets and highways, operation of Citifare, a fixed-route public transportation system, and CitiLift, a para-transit service for transportation disabled. In addition, the RTC holds the designation as the Metropolitan Planning Organization (MPO) for the regional area. Population is estimated at 215,000 in the urbanized area based upon the 1990 census. The agency is governed by a five-member board of directors appointed by the county and two cities in the area. Our budget for fiscal year 1991, including reserves, totals $38,685,000.

While the agency is relatively small, we do have a unique blend of responsibilities and institutional arrangements. The agency is responsible for design and construction of streets and highways throughout the jurisdiction. We are responsible for operating Citifare, a public transportation system, and CitiLift, a para-transit service, and utilize management service contractors in both of these operational areas. As the MPO, we are responsible for transportation planning for highways and transit and are frequently called upon to make decisions concerning expenditure of funds for these two programs. The RTC enjoys a solid funding base which includes a 4¢/gallon gasoline tax utilized for the Street and Highway Program and a 1/4% sales and use tax utilized for public transportation.

The RTC has had an opportunity to review the National Transportation Policy as well as proposals for reauthorization of the highway and transit programs. While the agency is sensitive to many of the strategies we believe are inherent in the Administration proposal, we have concerns which we believe are similar to those present in many other small communities in the United States.

Air Quality

The Reno/Sparks metropolitan area is a rapidly growing community. We have experienced growth of approximately 2.8% per year during the 1980's. Air quality in the community is generally good, but the area is designated as "marginal non-attainment" for ozone (two violations during 1990) and "moderate non-attainment" for Carbon Monoxide (CO) (five violations) and Particulate Matter (PM 10) (five violations). There is a possibility that Reno will be reclassified as "serious non-attainment" for PM 10 if we are unable to demonstrate attainment in regional air quality plans. Approximately 80% of CO emissions are attributable to transportation sources. Only 5% of PM 10 is directly attributable, but another 70% is from road dust stirred up by motor vehicles. 60% of the hydrocarbons (HC) and nitrous oxide (NOx) emissions, the precursors of ozone are from transportation sources. Perhaps more than any other quality-of-life issue, the community appears to support strategies to improve air quality.

Energy

The historical events which have occurred over the course of the last eight months should set the stage for extensive discussion in the Congress concerning energy dependence. The potential threat to the economic vitality of this and other countries in the world occasioned by the Iraq invasion of Kuwait should send a strong message that the United States needs to identify and foster strategies to create a greater level of energy independence. Certainly, it has long been recognized that the automobile is a heavy consumer of oil-based products and without a reasonable alternative, any product shortage or pricing increase which occurs at the pump could adversely impact the citizens of this country. Public transportation is one of the best strategies available to combat dependence on foreign oil.

Street and Highway System

The highway system developed in our region provides a relatively high level of service for our residents. Unfortunately, the impact of growth is tending to create deficiencies within the street and highway system of increasing magnitude.

The Regional Transportation Plan (RTP) for the Washoe County area indicates that vehicle miles of travel (VMT) have been growing at a 6.6% annual rate since 1970. The population grew at about a 2.8% annual rate during the 1980's. The RTP projects that hours of delay will increase by 331% between 1987 and 2007, while VMT will increase 119%. The hours of delay indicated in the RTP are expected to substantially increase over the projection (331%) because the RTP is predicated on construction of all needed highway improvements. The funding analysis which has been conducted suggests that, because of projected shortfalls, all of the projects included in the RTP will not be constructed, thus significantly increasing the hours of delay which can be expected. As congestion and hours of delay increase, an associated increase in automobile emissions can also be expected.

Although demand management strategies are being identified and being pursued aggressively, this alone will not be sufficient to reduce VMT to the extent needed. Alternatives to the automobile have a much greater potential for reducing VMT and hours of delay.

Public Transportation

As with most small communities, the region is attempting to identify and implement strategies to improve air quality, maintain a relatively high level of service on the street and highway system and provide alternative mobility options to our citizens. The fixed-route transit system is highly productive and, because of the general acceptance of this alternative mode in our community, the system will carry nearly 7.33 million riders this year (system growth is shown in Figure 1). This is being accomplished with a peak-hour bus fleet of 51 vehicles, a significant amount of ridership given the relatively small transit fleet available. The fixed-route system is supplemented with a 35-vehicle para-transit service for the transportation disabled.

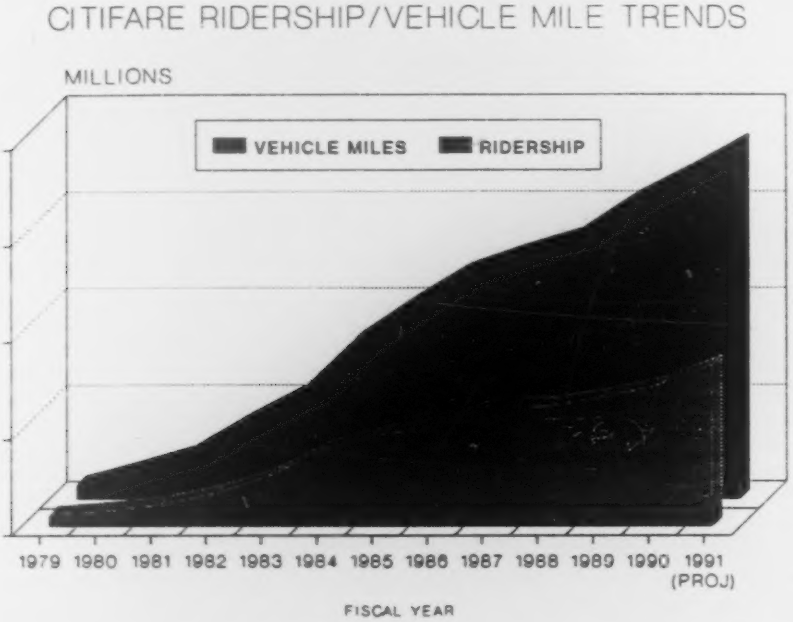


Figure 1

As the population in our community has grown, we have been able to expand our transit service area and increase levels of service for the system. The ridership impact of the transit system alone has reduced automobile congestion, is contributing to air-quality improvement and reduced fuel consumption. Perhaps more importantly, the presence of an effective public transportation system has increased the labor pool for employers in the community, consumers are delivered to businesses throughout the community and our citizens have transportation alternatives regardless of their mobility status.

We believe our public transit system is highly successful and we are extremely proud of the significant gains in ridership and the service expansion we have been able to provide to our community. Unfortunately, much remains to be done.

The Federal Partnership

The growth of our transit system and the associated improvements to the quality of life in the Reno area was made possible through a partnership between local taxpayers and the federal government. This partnership started in 1978 with the initiation of Citifare and our first federal grant for the acquisition of five used transit vehicles and operating assistance during the first year of operation. Since then, our fleet has grown to 61 vehicles, all but one purchased with UMTA discretionary or formula funds. An operations and maintenance center was constructed beneath an eight-lane freeway (land was provided free of charge through a Federal Highway Administration policy), construction of a major downtown transfer center utilizing discretionary funds (over-match of 71% local), and access to operating assistance funds throughout our years of operation have insured the success of public transit in our community. The growth of the system and the impact it is having in improving the quality of life for many in our community can be attributed to the funding which was available through the federal government.

Unfortunately, a systematic decline in federal funding availability which commenced in 1981 has curtailed, to a great extent, the ability of our system to continue to grow and expand. We know that additional transit demand exists in our community but we are unable to purchase needed additional vehicles and provide the short-term operating assistance to assure continued expansion and utilization of the system.

With the approval of the Federal Mass Transportation Act of 1991 and the associated funding strategies, the Congress will have an opportunity to set the stage for future-year transit improvements. Strategies can be put in place to improve fuel conservation, improve air quality and provide additional mobility to our citizens.

1991 SURFACE TRANSPORTATION ACT

The Administration's proposal as it will affect rural and small urban operators will have little positive effect upon our agency. This is primarily due to the cutbacks in funding which have occurred over the last 10 years. While operating and capital expenses for the provision of public transportation have continued to grow and expand, operating assistance has steadily declined. Figure 2 provides a dramatic comparison of the total operating cost for the Citifare system and federal operating assistance.

FEDERAL FINANCIAL ASSISTANCE
FIXED ROUTE SERVICE

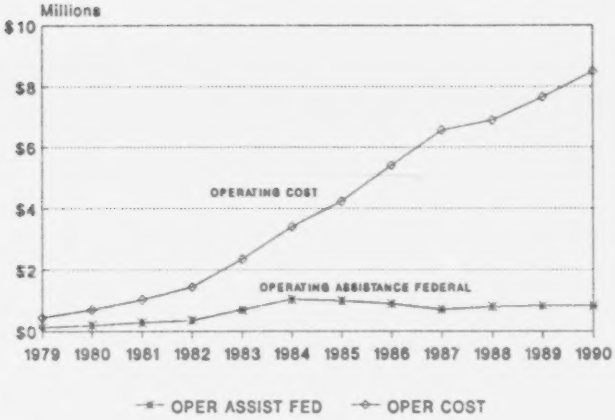


Figure 2

The federal government has been an active participant in rolling stock acquisition, assisting in development of permanent facilities for the transit system; the shortfall in federal support is even more pronounced and shown in Figure 3.

FEDERAL FINANCIAL ASSISTANCE
OPERATING & CAPITAL EXPENSE

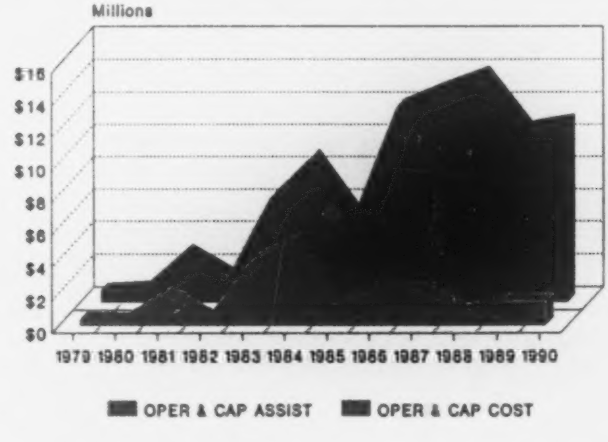


Figure 3

In Figure 4, the combined fixed-route and para-transit service costs, when compared with UMTA operating assistance, dramatically indicates that federal operating assistance to the Reno area will not even cover the cost of providing para-transit to the transportation disabled. The federal support provided to public transportation is falling far short of that which is needed to adequately support a transportation alternative which should be a national priority.

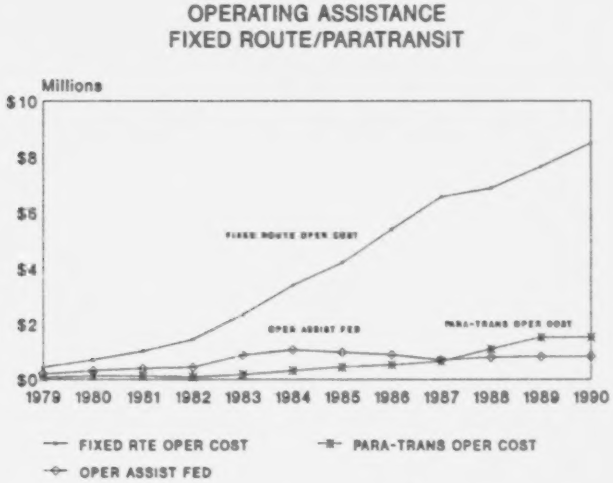


Figure 4

And finally, as the Congress and modal administration have increased regulatory and administrative requirements, the responsibility to conduct an effective transportation planning process has also grown and expanded. Since the MPO is responsible only for transportation planning, the MPO costs shown in Figure 5 far exceed the sum total of planning funds received from the Nevada Department of Transportation, FHWA Planning Funds (PL) and UMTA Section 8. In fact, the planning support from UMTA has remained static during a period of rapid system expansion and at a time when significant regulatory change has occurred.

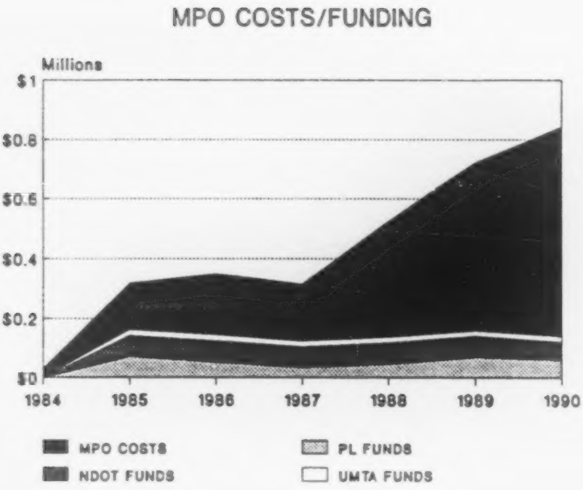


Figure 5

RECOMMENDATIONS

Transportation Planning

Currently, the MPO plays a significant role in many areas including development of short- and long-range plans, coordinating funding mechanisms and identifying implementation strategies. If the transportation-planning process is to continue to play an important role in the development of the transportation infrastructure, the MPO responsibilities should be strengthened and expanded.

- **The current transportation improvement program, which includes an annual and three-year element, should be expanded to a five-year program.** A multi-year transportation improvement program would allow programming similar to that included in the short-range transit plan. This has proven to be an excellent planning and programming tool.

- **Coordination of all modes, including air and ground transportation, should be enhanced and included in the 3-C process.** Currently, coordination between air and ground transportation planning is accomplished on an ad hoc basis.

- **Specific financial strategies to implement short- and long-range transportation plans should be required.** In addition, reasonable effort should be demonstrated toward implementation of the plans in both the short- and long-range time frames.

- **Additional funding should be provided to support transportation planning as a means of fostering strategic planning and productivity improvement.**

Rural Transit

The RTC helps fund a rural transit system at Lake Tahoe, Nevada. Unfortunately, the level of funding which has been provided to the State of Nevada for rural transit system support is insufficient to meet the funding requirements of other small communities throughout the state, and, as a result, our agency has chosen to fund the rural operation at Lake Tahoe in its entirety through local tax sources. This includes acquisition of equipment as well. The FY 1991 budget for operating and capital is $352,000.

The proposed Section 18 formula apportionment for the State of Nevada in FY 1992 is $205,292 with an operating cap of $157,897. Only one state, Rhode Island, has a lower apportionment and operating cap than the State of Nevada. Because of the broad geographical coverage of the state, Nevada is forced to distribute the funds in piecemeal fashion to grantees. The Section 18 funds are utilized to support transportation services in many of the small communities of the state, and approximately $65,000 was provided as a subsidy to a private operator during FY 1991 to provide service from Reno on the western boundary of the state to Ely, Nevada, located near the eastern boundary. This subsidy is intended to primarily support operating expenses in the provision of 66,500 miles of service each year. Without the subsidy, the residents of Ely and the small communities in the center of the state would have little or no access to services provided in the larger metropolitan areas.

Under the Administration's proposal, the matching ratio would be modified to require a larger contribution from local sources. Unfortunately, in many instances, the agencies providing service in the smaller communities are having a difficult time raising the existing local match. The State of Nevada has programmed and contributes 10% of the capital expense which reduces the local share to 10%.

> **Increased funding to support rural transportation should be provided by the Congress and current matching ratio requirements should be retained.**

Highway/Transit Flexibility

The Administration's proposal to provide flexibility between highways and transit for rural and small urban transit systems is another component which will not serve our region well. Our agency has been responsible for many years for establishing Federal Aid Urban System (FAUS) priorities for the expenditure of federal highway dollars. Unfortunately, the total revenues available are limited, and we have not been able to use the FAUS funds to any great extent in solving local urban transportation problems. In the late 70's, a small portion of the FAUS funds were programmed for development of a ridesharing program but, with the inherent incentives supporting the use of automobiles and the development of highways, we found this expenditure not as effective as continued programming for highway improvements. unless a level playing field is established for making determinations concerning flexible use of the funds, transit will not be given a fair hearing and an inherent bias toward highways will be continued.

> **Administration policy should be modified to eliminate bias between the programs so rational decisions concerning highway and transit strategies based upon community short- and long-term benefits will be made.**

Disabled Transportation

In 1988, the RTC assumed responsibility for operation of a para-transit system in the community. Although the start-up of the service was privatized, we did acquire vehicles previously purchased by a private, nonprofit operator through the UMTA Section 16(b)(2) program. Most of the vehicles have long since exceeded their useful lives, and we are in the process of replacing all of the vehicles utilizing local tax dollars. Given the provisions of the Americans with Disabilities Act (ADA), it would be helpful if funds which have been programmed for the 16(b)(2) could be accessed by public jurisdictions. We are not yet fully aware of the total financial impact of ADA on our operation but we have every expectation that costs for providing additional transportation alternatives to the disabled will increase substantially.

> **Access to funding for special equipment to transport the disabled should be allowed through Section 16(b)(2) or additional funding should be added through Section 9.**

Public Transportation

Since inception of the Citifare system, we have been identified as a small urban system for purposes of Section 9 allocation. As a result of the 1990 census, we now expect to move into the "Over 200,000 - Under 1,000,000 Population" category. We are hopeful that the movement into the new category will improve our funding potential and allow continued expansion of the system.

The provisions in the Administration's proposal concerning operating assistance are troubling. The RTC has long attempted to maximize performance and productivity and maintain the operating deficit at a minimum level. The system currently returns 36% of operating expense through the farebox, a very high farebox recovery ratio when compared to national average for similar size systems. For many small systems throughout the country, the decline in operating assistance from the federal government has meant reduction in service at a time when service should be expanded. We are hopeful that the amounts allowed for operating assistance, whether it is defined as operating or maintenance assistance, will be increased.

> The Congress should increase amounts available for operating or maintenance assistance.

The RTC recognizes the Administration's proposal to draw down the Mass Transit Account in the Highway Trust Fund as beneficial to the transit industry. Unfortunately, the strategy which is being used by the Administration to remove access to the General Fund is not in keeping with the commitments which are being made to improve public transportation throughout the country. Those portions of the federal fuel tax increase set aside for transit should be provided to public transit providers throughout the country based upon the promises made at the time each of the two increases occurred. In addition, if the Congress desires to build and maintain a transportation infrastructure to serve this country into the next century, General Fund commitment is also necessary.

> **The RTC supports the American Public Transit Association proposal requesting Congress to authorize and appropriate $6.5 billion for transit in FY 1992 and to let this amount grow to $11 billion over the next five years, for a five-year program of $39 billion.**

Transit Incentives

If the Congress is sincere in moving to further improve air quality, provide transportation to the disabled and to build a balanced transportation system for the future, specific steps should be taken to provide incentives for rational transportation decision making. The Congress should support incentives for transit use by substantially increasing the monthly dollar value of an employer-provided transit benefit that is excluded from an employee's income. The current $15.00 per month exclusion is too low.

> **Eliminate taxation of employer-provided transit benefits.**

Discretionary Grants

The RTC has been the beneficiary of a number of discretionary capital grants. We have viewed the access to the discretionary program as a privilege and beneficial to our community. The RTC has worked diligently to ensure the maximum dollar return for funds provided by the Urban Mass Transportation Administrator. Increasing the local share for discretionary and capital fund grants appears to be detrimental to the program. Keeping the local share contribution at the current level would help place transit back in a competitive mode which will lead to further community improvements.

> **The Congress should maintain or increase the federal share in capital projects to demonstrate the federal commitment to building a stronger transportation infrastructure.**

Research and Development

The Administration proposes additional activity in the area of research and development. Many small urban and rural systems must rely on technology which is developed in larger systems or on a national level. The addition of funds to support planning and research programs will be helpful to the transit industry.

The RTC has enjoyed an excellent working relationship with the staff of the Urban Mass Transportation Administration. We were previously under the direct jurisdiction of San Francisco Region 9 and, more recently, were transferred to Denver Region 7. We have always found the staff to be direct, cooperative and helpful. We have noted that staff reductions within UMTA have been detrimental to the overall program administration.

> **The Congress should consider increasing research and development allocations and administrative resources.**

CONCLUSION

While we agree that congestion management, demand management and other similar strategies will be useful in optimizing the transportation system effectiveness, we should remember that it is impossible to simply mandate the kinds of changes which will be contemplated in the transportation system management strategies. Useful and cost-effective alternatives must be in place. Public transportation provides the single strongest alternative mode for improving mobility, reducing congestion and eliminating dependence on foreign oil. We are hopeful that the Congress will strengthen the priority of public transit through the reauthorization process, increase the commitment to funding transportation planning and implement the transportation strategies which are being suggested.

Senator Cranston. Thank you very much, Mr. Hall.

We have a rollcall and we will have to leave shortly for that purpose and then be back.

Meanwhile, Senator Graham will introduce Mr. Watts.

Senator Graham. Thank you, Mr. Chairman.

I am very pleased that you have invited Ben Watts of our State, the secretary of the Department of Transportation, to be one of the panelists.

I have known Ben for a number of years. He has served our State with great distinction in a number of capacities, and is now giving us outstanding leadership in the Department of Transportation.

I look forward to hearing his remarks.

Senator Cranston. I guess perhaps we should go vote now, or at least I will take off and you take off when you can. I will get back as fast as I can.

Senator Graham. OK, Mr. Chairman.

Senator Cranston. You can stay a bit more.

Senator Graham [presiding]. Mr. Secretary.

STATEMENT OF BEN WATTS, SECRETARY, FLORIDA DEPARTMENT OF TRANSPORTATION, TALLAHASSEE, FL

Mr. Watts. Thank you, Mr. Chairman.

I certainly do appreciate the opportunity to be here and testify today.

Last year, the Florida Legislature took a major step in addressing the State's transportation needs and passed the most comprehensive and largest revenue package ever in the history of Florida.

Under the new law, a minimum of 14.3 percent of State revenues in the State Transportation Trust Fund will be used to fund current and new programs in the public transportation area.

Program levels in Florida, because of this legislation, will increase by 76 percent over a period of 5 years from some $625 million to $1.1 billion.

A new public transit block grant program will provide $180 million over that 5-year period for transit capital projects and nonlabor operating costs.

Fifteen percent of these funds, or some $27 million over that 5-year period, will be distributed to community transportation coordinators through the State Transportation Disadvantaged Commission.

I would emphasize that in rural areas of the State, transportation disadvantaged services represent the only public transportation form enjoyed by these people.

As a matter of fact, in Florida 49 of the 67 counties the transportation disadvantaged program is the only form of public transportation that they see.

The State, through a combination of programs, with State resources puts in $17 million a year annually into transportation disadvantaged.

The Federal effort in the same programs is $4 million a year.

The department has also recently adopted a capital investment policy for major public transit projects which includes a designated transit corridor concept.

What this does is enable areas to evolve toward conditions, design land-use decisions, density and activity mix, and a number of different factors that will help to change public attitudes and public policies as we move toward the support of significant transit use.

Florida cannot meet the need that we face through public transportation alone. We need the help of the Federal Government.

We would recommend for the reauthorization of the Urban Mass Transportation Act the following initiatives:

First, spend down the Mass Transit Account balance but, at the same time, continue general fund support for transit.

If you simply supplant money through elimination of the general fund mix, then we are not progressing in a fashion that is conducive to help public transportation in the States.

Increase the formula transit funding.

Provide a uniform Federal share between highway and transit.

Continue operating assistance and eliminate operating-assistance caps.

Expand the use of New Starts.

And we would be more than happy to make available to any State our designated transit corridor program to use as a nationwide model.

Provide greater program flexibility.

For example, in the 16(b)(2) program, provide for leasing and purchase of vehicles for public agencies, not just private nonprofit, because in Florida under State law many of the transportation providers in the rural areas are in fact public agencies, and therefore ineligible for 16(b)(2) funding, and we fail to reach the very people through that program that the program is designed to accommodate.

Develop national standards for securement devices.

Under the Americans With Disabilities Act it requires the accommodation of any mobility device on any form of public transportation.

And yet there is not a national standard for those tiedown devices on our public transportation vehicles.

Simplify the research and development programs and consolidate training programs.

We recommend a 3-percent funding level for those programs.

Afford transit commuters the same tax benefits as we do the automobile user in the terms of tax-free incentives for paid parking and so forth.

Public transit will play a critical role in our Nation's future.

While the automobile will remain the dominant mode of transportation for years to come, it is abundantly clear in Florida that we cannot build enough highways to accommodate all travel demands.

Further, the interrelated needs of providing mobility for the transportation disadvantaged, conserving our energy resources, and protecting our environment in Clean Air requires that we consider the inherent advantages of each mode of transportation.

State and local governments have substantially increased their commitments to public transit. A similar commitment of the Federal Government is now necessary if we are to maintain the level of mobility our citizens presently enjoy.

The Florida Department of Transportation offers its continued support to this committee as it fulfills its responsibility to fund the future Federal Transit Program.

Thank you very much.

[The complete prepared statement of Ben Watts follows:]

FLORIDA **DEPARTMENT OF TRANSPORTATION**
LAWTON CHILES
GOVERNOR
605 Suwannee Street, Tallahassee, Florida 32399-0450
BEN G. WATTS
SECRETARY

Testimony of
Ben G. Watts, P.E.
Secretary of Transportation
Florida Department of Transportation
605 Suwannee Street
Tallahassee, Florida 32399-0450
(904) 488-3054

before the
Subcommittee on Housing and Urban Affairs
Committee on Banking, Housing and Urban Affairs
United States Senate

Thursday, April 18, 1991
Washington, D. C.

Mr. Chairman, it is my pleasure to appear before you today to present the views of the Florida Department of Transportation (FDOT) concerning reauthorization of the federal surface transportation programs. This committee is to be commended for conducting these hearings at such a crucial time in the history of our national transportation programs. While the completion of the Interstate Highway System is providing the impetus for a comprehensive review of our surface transportation programs, the timing couldn't be better to recognize the importance of transportation in not only meeting the mobility needs of our nation, but its growing importance to our economy and international competitiveness.

My testimony will address three areas, Florida's public transit needs, what we are doing to address those needs at the state level, and FDOT's recommendations for changes in the federal transit program.

As the third fastest growing state by percentage and second in absolute numbers, Florida faces the challenge of moving not only its own people and goods more efficiently, but also the 40 million visitors we share our state's natural beauty with each year. We lead the nation in the highest ratio of automobiles to residents with 12 automobiles for every 10 residents. In fact, our automobile fleet has been growing by over 250,000 cars per year. It is apparent that simply building more highways is not the answer to Florida's exploding transportation demands.

Public transit in Florida, as elsewhere, now means more than just conventional urban bus systems. Fixed guideway systems include light rail, heavy rail, commuter rail and automated guideways. Commuter assistance programs include ridesharing arrangements and transportation demand management strategies such as the formation of Transportation Management Associations and the provision of park and ride facilities. Paratransit and transportation disadvantaged services are also provided.

Our most recent assessment of public transit financial needs over the next five years in Florida far exceeds the current resources provided through the combination of federal, state and local funding sources. Of the nearly $4 billion of projected transit capital and operating needs, approximately $2 billion is unfunded. While we do not expect the federal government to make up the entire shortfall, the need for substantial federal involvement is clear.

Last year, the Florida Legislature took a major step in addressing the state's transportation needs with the passage of comprehensive state transportation legislation . This legislation provided the largest transportation revenue increase in Florida's history. Under the new law, a minimum of 14.3% of state revenues in the State Transportation Trust Fund will be used to fund current and new projects in the aviation, transit and rail programs. Program levels will increase by 76%, from $625 million to $1.1 billion over five years. Florida's transportation programs now extend to ports, commuter rail, high speed rail and a new intermodal development program. Two charts showing the five-year public transportation program levels are attached to my testimony.

A new public transit block grant program will provide state matching funds (approximately $180 million over five years) for transit capital projects and non-labor operating costs. Fifteen percent of these funds (or approximately $27 million through FY 1995-96) will be distributed to community transportation coordinators through the state's Transportation Disadvantaged Commission. I would emphasize that in rural areas of the state, transportation disadvantaged services represent the only form of public transportation available to Florida citizens.

As a condition of the new block grant program, transit performance evaluation procedures are also being developed which will provide us with the means to evaluate the effectiveness of our transit investments. Preliminary findings of this effort which the Committee may find of interest are:

- The amount of transit service available in Florida has increased at a rate greater than state population growth.
- Florida's transit systems have shown substantial progress in controlling growth in operating costs.
- Safety and reliability of transit services have significantly improved for Florida's transit systems.

Unfortunately, transit use in Florida remains below levels in many other parts of the country. Through public information, careful service design, aggressive land-use policies, and public commitment, we believe transit use will improve.

Another provision of the block grant program requires transit systems to prepare and annually update transit development plans that demonstrate coordination between transit planning, land use planning and MPO transportation planning.

The Department has also recently adopted a Capital Investment Policy for Major Public Transit Projects which includes a designated transit corridor concept. This concept is intended to enable areas to evolve towards conditions where the urban design, land use decisions, density and activity mix, infrastructure investment, and public attitudes and policies support significant transit use and ultimately a fixed guideway system. An explanation of this program is attached.

Mr. Chairman, while Florida has a comprehensive and progressive transportation effort underway, we cannot meet the needs I have identified alone. The federal involvement which began in 1916 for highways and 1964 for transit must be strengthened and streamlined if we are to meet the transportation challenges of this decade and the 21st Century.

The Florida Department of Transportation offers the following recommendations for reauthorization of the Urban Mass Transportation Act:

- **Spend Down the Mass Transit Account Balance** - The $7 billion balance in the Mass Transit Account of the Highway Trust Fund at the beginning of this fiscal year is expected to grow to nearly $9.5 billion by the end of fiscal year 1992. These dedicated funds are desperately needed to compliment the increasing commitments of state and local governments.

- **Continue General Fund Support for Transit** - The identified transit needs warrant a continuation of General Fund revenues for transit. To further supplant these funds as occurred with the creation of the Mass Transit Account, will send a signal that we are not really serious about transit's contribution to our nation's mobility needs.

- **Increase Formula Transit Funding** - Existing UMTA programs, both discretionary and formula, should be continued at current funding levels. Increased funding, which can now be supported by the 1.5¢ per gallon of motor fuel taxes dedicated to transit, should be distributed by a formula based on each state's population.

- **Provide a Uniform Federal Share** - Reauthorization of the federal surface transportation programs should eliminate bias toward any particular mode of transportation by setting the same federal share of funding for all modes. The FDOT advocates an 85% federal share for both highway and transit projects.

- **Continue Operating Assistance** - The operating assistance caps currently applied to transit programs should be eliminated and all areas now eligible to receive operating assistance should continue to do so.

- **Expand the Use of New Starts** - The Designated Transit Corridor Program as developed by Florida should be expanded to a national effort within the New Starts portion of the UMTA Section 3 program.

- **Provide Greater Program Flexibility** - States should have greater flexibility to transfer funds between programs and to fund both public and private agencies. For example, Section 16(b)(2) funds (the capital assistance program that provides transportation services for elderly and handicapped persons) should be available for leasing or outright acquisition of vehicles for public agencies.

- **Develop National Standards for Securement Devices** - At present, there is no single securement device or wheelchair tiedown that will permit all mobility devices in common use to be carried in reasonable safety. The Americans with Disabilities Act of 1990 requires public transit systems to be able to accommodate any "mobility device" in common use. National standards for securement devices are needed to resolve this problem.

- **Simplify R & D Programs** - The UMTA Research, Development, and Demonstration programs (e.g. Section 4(i) and 6) should be consolidated and funded at 3% of the total program. Training programs should likewise be consolidated.

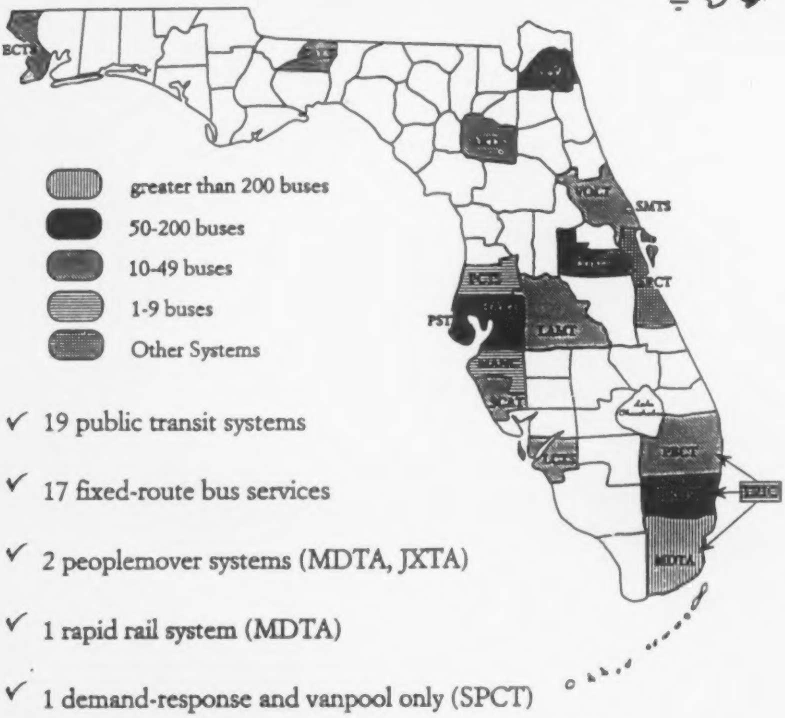
- **Afford Transit Commuters the Same Tax Benefit** - Transit users should be afforded the same tax exempt fringe benefit status as is enjoyed by automobile users who receive free employer provided parking.

Mr. Chairman, the Florida legislature is now considering action to place high speed rail activities under the control of the Florida DOT. While I recognize that high speed rail issues are not under your Subcommittee's jurisdiction, this public transportation issue is of sufficient importance that I would like to offer two brief comments on this subject.

First, we praise a provision found in the Administration's proposal which would permit the flexible use of highway funds for the acquisition of transportation corridors for high speed rail or more traditional uses. Secondly, however, we regret to learn that a provision providing funds for high speed rail grade separations, which was originally in the U.S. DOT's bill, was removed at the direction of the Office of Management and Budget. Consequently, we urge the Congress to restore this provision so vital to ensuring the viability of high speed rail transportation.

CONCLUSION - Public transit will play a critical role in our nation's future. While the automobile will remain the dominant mode of transportation, it is abundantly clear that we cannot build enough highways to accommodate all travel demands. Further, the interrelated needs of providing mobility for the transportation disadvantaged, conserving our energy resources and protecting our environment require that we consider the inherent advantages of each mode of transportation. State and local governments have substantially increased their commitments to public transit. A similar commitment of the Federal government is now necessary if we are to maintain the level of mobility our citizens presently enjoy. The Florida Department of Transportation offers its continued support to this committee as it fulfills its responsibility to define the future federal transit program.

Florida's Transit Systems

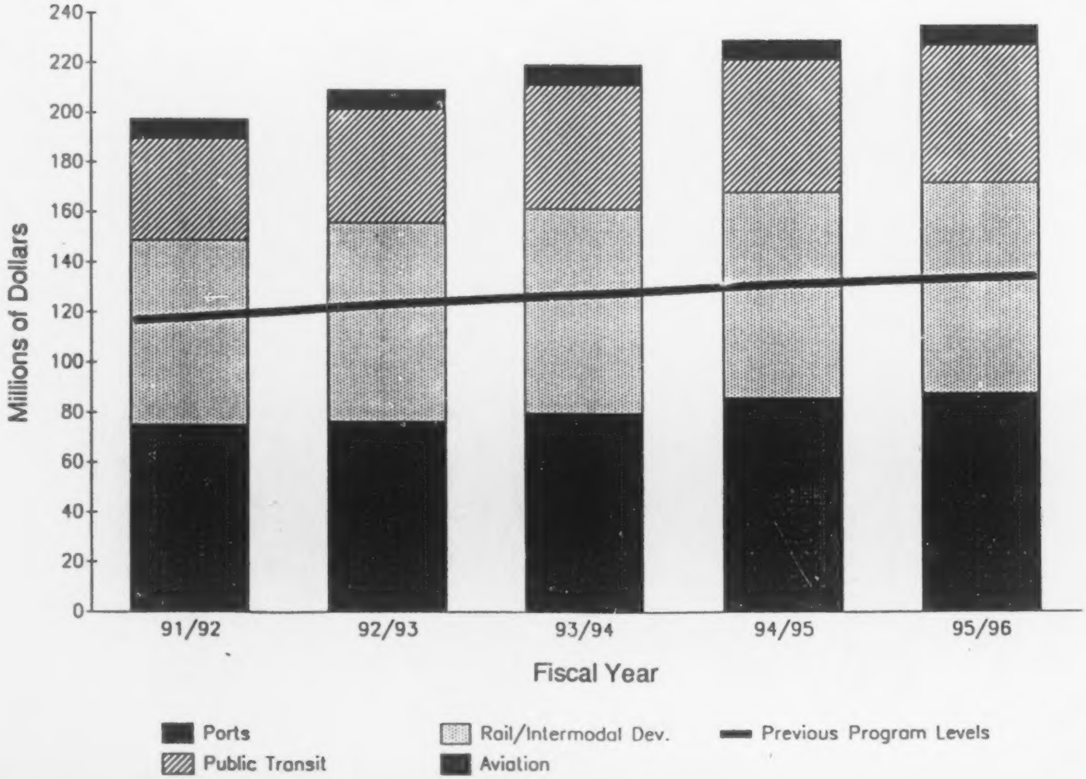

ECTS
VOLT
SMTS
PCTS
SPCT
PST
LAMT
SCAT
PBCT
TRIC
MDTA
greater than 200 buses
50-200 buses
10-49 buses
1-9 buses
Other Systems

- ✓ 19 public transit systems
- ✓ 17 fixed-route bus services
- ✓ 2 peoplemover systems (MDTA, JXTA)
- ✓ 1 rapid rail system (MDTA)
- ✓ 1 demand-response and vanpool only (SPCT)
- ✓ 1 commuter rail system (TRIC)

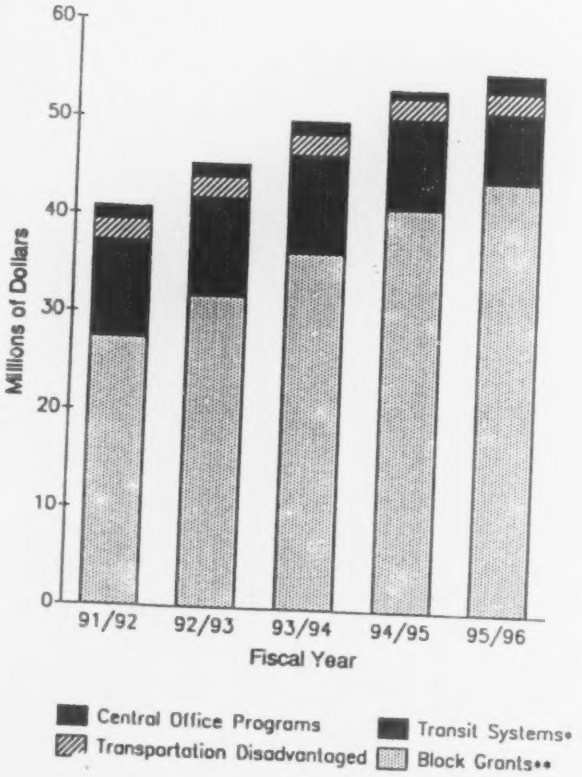
MDTA	Metro-Dade Transit Agency	VOLT	East Volusia Transit Authority
BROW	Broward Transit Division	ECTS	Escambia County Transit System
JXTA	Jacksonville Transportation Authority	LCTS	Lee County Transit Authority
HART	Hillsborough Area Regional Transit	SCAT	Sarasota County Area Transit
PSTA	Pinellas Suncoast Transit Authority	LAMT	Lakeland Area Mass Transit District
OTCT	Tri County Transit (Orlando)	MANC	Manatee County Transit
PBCT	Palm Beach County Transportation Authority	SMTS	Smyrna Transit System
TALT	Tallahassee Transit Authority	PCTS	Pasco County Transit System
ARTS	Regional Transit System (Gainesville)	SPCT	Space Coast Area Transit
		TRIC	Tri-County Commuter Rail Authority

Funding

Public Transportation Program Levels



Public Transit Program



- **Capital Investment Policy for Major Public Transit Projects**
  - Major Projects (Rail, Fixed Guideway)
  - Criteria for State Investment
    - *Qualification for Federal Funding*
    - *Public Benefit*
    - *Local Financial Commitment*
    - *Coordinated Local Planning*
  - Designated Transit Corridors
  - Report to Legislature by March 1, 1991

- **Block Grant Program**
  - Local Discretion
  - Conditions for Eligibility
    - *Non-Labor costs only*
    - *Performance Measurement*
    - *Coordinated Local Planning*
  - 50% Match

* Includes the following programs: Transit Corridors, Service Development UMTA Section 18, Commuter Assistance

** 15% of Block Grants are transferred annually to the T.D. Commission

Appendix I

DESIGNATED TRANSIT CORRIDOR PROGRAM

Introduction

The designated transit corridor concept involves an urban area designating a particular corridor or corridors as transit priority corridors. This designation would signal policy and resource commitments to the corridor which would result in better transit service and conditions more conducive to transit. The concept is intended to enable areas to evolve toward conditions where the urban design, density and activity mix, infrastructure investment, and public attitudes and policies support significant transit use. This designation would be an initial step toward the development of a corridor that may ultimately support a fixed guideway transit operation.

This program is specifically designed to recognize the fact that most of Florida's urban areas and transportation infrastructure were developed during the auto age and reflect densities, parking availabilities and roadway investments that are typical of areas highly reliant on autos. Many of these areas, while not yet having the conditions that can cost effectively support capital intensive fixed guideway transit facilities, are nevertheless, facing pressures from rapid growth and roadway congestion and are cognizant of the benefits from greater use of public transit.

The concept of designating a high priority transit corridor(s) is intended to begin to capture the benefits of making a commitment to transit well in advance of when the corridor(s) would be eligible for state or federal capital intensive fixed guideway investments. This approach can help to avoid premature capital investments that suffer from low cost effectiveness and reduce the risk that transit capital investments will be made in locations where they will not be fully utilized. The concept allows transit capital and service investments to be timed to more closely correspond with traveler demands for transit services. In addition, improvements made under this program can begin delivering better transit service in advance of the very long lead times typically required for more capital intensive fixed guideway projects.

Transit Service Improvements for Designated Transit Corridors

The designated transit corridor program would involve a strong local commitment to a package of transit improvements in the designated corridor. This package, designed for the needs and conditions in the corridor, might include a variety of elements such as those outlined below:

Transportation service improvements:

Expanded hours of bus operations, greater service frequency, and better route coverage. Better interface with intersecting and feeder service possibly including timed transfer locations. Additional attention to rideshare and other programs encouraging non-single occupant auto use.

Additional amenities:

More route signing, more shelters and schedule information. Sheltered waiting areas in high demand locations, nicer buses such as over-the-road coaches with high-backed seats, reading lights, luggage racks and cloth upholstery.

Special publicity:

High profile treatment of the corridor such as designating the corridor the red, green or blue line analogous to rail route designations. Using specially painted or otherwise easily identifiable vehicles and bus stop signs. Some type of route flagging, lane marking or other treatments to give the corridor a specific identity. Creative marketing based on a sound understanding of the market conditions will be an important component of the designated corridor program.

Supporting infrastructure investments:

Park and ride lot construction, roadside bus bay loading areas, signal timing improvements and possibly bus signal prioritization. Designation of arterial bus lanes and possibly construction of special ramps, turn lanes or other roadway improvements to enhance bus service. Various Transportation System Management (TSM) improvements as appropriate should be considered for the corridor.

Supporting land use and urban design policies:

Lowered parking space requirements for new buildings, preferential parking for high occupancy vehicles, higher densities, tolerance of lower levels of service on the roadways and possibly design reviews of new development to insure that it is conducive to transit service accessibility. Encouragement of Transportation Demand Management (TDM) techniques in the corridor to involve the public and private sectors in addressing transportation problems.

Planning and investments to facilitate subsequent fixed guideway:

Securing or protecting right-of-way that may later serve a fixed guideway facility, requiring setbacks that would facilitate a fixed guideway facility, and securing land for park and ride and car-pooling at locations that may subsequently be good fixed guideway station locations.

Corridor Eligibility for Designated Transit Corridor Status

In a process analogous to that for eligibility for fixed guideway alternatives analysis study, corridors proposed for designated transit corridor status will be required to qualify in several areas.

Be the highest priority corridor(s) for non-fixed guideway transit development: Each urban area should concentrate its efforts on a corridor(s) which would insure adequate resources and policy commitment. A corridor(s) may be in addition to a corridor for which a fixed guideway alternatives analysis study is being pursued or may exist absent any concurrent study of fixed guideway. Requests for designating multiple corridors in a given urban area would only be considered when adequate resources and policy commitment can be clearly demonstrated and assured for each corridor designated.

Existing transit ridership levels: To evidence transit potential in a corridor the existing volumes on public or private transit should be in excess of 5,000 passenger boardings on an average weekday. This level of demand will insure a base market to benefit from the additional transit investments and provides evidence that the basic market characteristics for transit are present though not at a level adequate to currently justify fixed guideway consideration. Consideration will be given to other corridors where extensive multi-occupant vehicles, significant recent increases in transit use or other conditions evidence a strong transit growth potential. Information on the ridership history for the corridor and the response to prior service improvements or initiatives should be provided.

Consistency with regional plans and priorities: The relative priority of planning and investment in the candidate corridor should be supported by regional system wide plans. The transportation problems and land use conditions in the corridor should be supportive of the designation of the corridor as a designated transit corridor. While a specific quantitative threshold is not proposed to be established, the "consistency" test should include information about:

- Current and forecast land use and demographic characteristics
- Current and forecast transportation demands
- Current and forecast transportation system conditions

A program of candidate service improvements and investments: The initial application for designation of a transit priority corridor would include a list of service improvements, policy initiatives and investments that merited more detailed analysis in subsequent implementation planning efforts. This preliminary program of improvements would itemize the types of improvements that would be further studied for the corridor. Improvements from each of the improvement areas detailed above would be indicated as meriting additional planning if appropriate for the candidate corridor.

The Application Process and Funding of Designated Transit Corridors

The process for designating a transit corridor is outlined in figure 1. The sequence of steps is similar to that for fixed guideway planning. Detailed descriptions of the requirements would be provided in subsequent administrative procedures.

The technical information to support the application would be developed from the regional systems and corridor transportation studies as well as from the TIP and long range transportation and land use plans.

Funding for the designated corridors would have several unique characteristics.

> The financial program would be for an initial five year period subject to local compliance with the conditions outlined in the initial application and subject to funding availability. The failure of the local supporting policies to be put in place could result in early cancelation of the commitments. This time frame should allow an opportunity for ridership response and for the impacts of supporting policies and programs to start to take place. The success in promoting transit use in the corridor would be a strong factor in considering a subsequent application for an extension of the program beyond the five year time frame.
>
> The State would provide up to a 50% match for capital projects but the state share of project costs would not be more than the local share (possible funding scenarios: 50% Federal, 25% State, 25% local; 50% State, 50% local; 75% Federal, 12.5% State, 12.5% local). The State match would apply to capital investments that support expansions of service and amenities for the corridor (regular replacement capital spending would be funded in the traditional fashion).
>
> In addition to providing capital support for the designated transit corridor facilities, the program would involve state support for operating costs. The state would provide up to $1 per revenue vehicle mile (up to 2 million dollars annually per designated corridor) of the operating deficit of the new service in the corridor.

As indicated in the Figure 1 process, a funding contract would be developed as a final step in the process.

Figure 1

Designated Transit Corridor Process

- Systems and Corridor Planning Identifies Candidate "Designated Transit Corridor"

- Application for Designated Transit Corridor
    - Existing travel demand/transit ridership profile
    - Documentation of consistency with regional land use and transportation plans
    - A program of candidate service improvements and investments

- State Review and Decision on Detailed Planning

- Preparation of Designated Transit Corridor Plan
    - Service and operations element
    - Facilities/investment element
    - Supporting policy and program element
    - Finance element
    - Marketing element
    - Performance monitoring element
    - Documentation of local adoption and support

- State Approval of Designated Corridor Plan

- State Funding Contract

- Implementation and Monitoring

Senator Graham. Thank you very much, Mr. Watts.

I am sorry that Senator Mack and I are going to have to leave to make this vote.

Senator Cranston should be returning shortly to continue the hearing.

The committee hearing is temporarily recessed until the Chair returns. [Recess.]

Senator Cranston. The hearing will please come back to order.

We will now hear from David King, director of Public Transportation, Rail Division, North Carolina Department of Transportation from Raleigh.

We are delighted to have you with us.

STATEMENT OF DAVID KING, DIRECTOR, PUBLIC TRANSPORTATION AND RAIL DIVISION, NORTH CAROLINA DEPARTMENT OF TRANSPORTATION, RALEIGH, NC

Mr. King. Thank you, Mr. Chairman. I appreciate this opportunity.

Since a lot of the points I have intended to make are included in my written testimony, have already been made very eloquently by my predecessors, I will focus on things that I think are particularly important.

One is, I need to preface anything I say about reauthorization by saying that, unless the equity issue is dealt with, North Carolina is really not interested in talking about the details. We have been a net donor under both the highway and the transit program for years, ever since the inception of both programs and to a very large extent. We have received less than 10 cents on the dollar from the mass transit account and we have been a recipient of funds under the highway minimum allocation provision, so we feel that equity is an essential element of any reauthorization for States like North Carolina. And Florida also made this point earlier when Senator Mack was introducing the panel. Unless that is covered, all of the details that we would cover about the reauthorization proposal from the administration or any other source are moot.

Having said that, let me tick off some things about the administration's proposal that we do think are positive. One is the name change. This is a panel that is dealing with rural topics. The name change does emphasize that public transportation does take place outside of urban areas. We think that is positive.

The emphasis on intermodalism is very good, and I think Secretary Skinner and Mr. Larson and Mr. Clymer are to be complimented for moving in that direction.

State DOT's and in a lot of cases including ours are still highway organizations that are trying to graduate into a transportation department in real terms, rather than just in name. And unless the Federal Government and the U.S. Department of Transportation provides leadership, that transition from a highway organization to something much bigger than that is going to be very slow.

Coordination. Senator Adams said some things that I feel very strongly about and I will get back to that. I think he made some very good points.

Elderly and disabled programs. I think the changes recommended by the administration in that program are all positive.

Emphasis on research. There has been a drought in research money from the Federal level on transit issues for the last 10 years. And this bill, as proposed by the administration, does begin to reverse that problem. We think that is positive.

I will point out that the administration's authorization proposal for discretionary capital providing, as it does, only $50 million a year for bus and bus replacement, Clean Air activities, implementation of the Americans With Disabilities Act and so forth is woefully inadequate. The State of Michigan could use it in 1 year to replace their buses and leave the other 49 States without anything at all.

On the subject of human services coordination, I would applaud everything that Senator Adams says. We have been at work on this in North Carolina for the last 12 years. The Secretaries of Transportation and Health and Human Services in Washington need to be providing strong leadership on this subject.

And the reauthorization of the Older Americans Act as well as through time the reauthorization of other Human Service programs that put a lot of money into public transportation activities in order to get clients to services, each of those bills as they come up needs to have that problem addressed. And the Secretary of Health and Human Services needs to be held accountable, in my opinion, for coordinating the transportation resources spent under each of those programs. Since they form a subcomponent of each of those various programs, they are very seldom looked at as a discrete problem area or opportunity and they need to be.

A bill has been introduced in the House by Congressman Rahall which North Carolina feels is a step in the right direction because it does emphasize the mobility needs of rural residents. Thirty-seven-and-a-half percent of the people in this country live in areas of under 50,000. Three point five percent of the Federal resource over the last decade has gone to those people and we think that that represents an inequity.

North Carolina is the 10th most populous State in the country, but we also have a significant rural population. We are the fifth largest in the country in terms of rural population, so we feel very strongly that the section 18 program and the kinds of services provided by Human Service agencies needs support from the Federal level. So the proposal made by Congressman Rahall does, I think, come a lot closer than the administration proposal to recognizing that rural mobility is important and that rural isolation, the converse of that is particularly acute, more so than urban isolation.

Your staff asked that we make specific legislative proposals. First I would suggest that the equity issue demands that States like North Carolina that are net donors and have been both in highway and the transit areas need to be given a fair shake from the Federal program.

Second, I think the Human Service transportation coordination issue is critical. It might be that the reauthorization of the Surface Transportation Act may not be the proper vehicle to pursue that. But somehow, some way, there needs to be a handle on the billion-plus dollars that are being devoted to Human Service transportation and there should be a link between the DOT programs and the HHS programs.

And Senator Adams mentioned, I think, six-hundred-and-some-odd million dollars in the Older Americans Act that is being spent on transportation. That dwarfs the amount that UMTA is spending on human service-type transportation programs.

And, finally, an important point is the discrepancy between the tax code treatment of parking and treatment of transit passes. I will simply say that a proposal made by Senator Moynihan would address that and I think that that is critically important and it would send a strong message, perhaps beyond its importance, that the Congress believes that transit and the automobile should be treated on a more equal playing field.

Thank you very much.

[The complete prepared statement of David King follows:]

TESTIMONY

before
the
Senate Subcommittee on Housing and Urban Affairs
of the
Senate Committee on Banking, Housing, and Urban Affairs

on

REAUTHORIZATION
of the
SURFACE TRANSPORTATION ACT

April 18, 1991

presented by
David D. King, Director
Public Transportation & Rail Division
North Carolina Department of Transportation

It is difficult to focus on the provisions of any proposal for reauthorizing the Surface Transportation Act that does not return to our state a much higher proportion of the dollars collected in North Carolina. Since the inception of the "transit penny", North Carolina has received less than 10% of the funds which we have sent to Washington. North Carolina is the 10th most populous state in the country. Rapid growth is exacerbating our congestion and air quality problems. Yet, in the face of these pressing needs, the administration's proposal for transit would continue our indefensibly large net donor status.

It is in this context that all of our comments on the provisions of any reauthorization proposal must be viewed. If North Carolina were to receive a fair return on the money paid into the Mass Transit Account by North Carolinians, there would be a number of provisions of the administration's proposal which we would enthusiastically support. The following list covers some of these provisions:

1. Name Change - The Federal Mass Transportation Administration is preferred over the Urban Mass Transportation Administration but we like "Federal Public Transportation Administration" even better.

2. Emphasis on Intermodalism - There is a much more solid recognition that the various means of transportation should be blended together to maximize effectiveness and that the Federal Government needs to set a strong example in this area. We believe, however, that differing federal participation ratios in the highway and transit programs provide more incentive to use transit funds for highways than the reverse.

3. Coordination - We enthusiastically support the administration's emphasis (in Section 417) on coordination of federal transit resources with resources of other programs (particularly DHHS).

4. Discretionary Transfer - (Sections 421 and 429) Allowing Governors to transfer funds among the Section 9, Section 18, and Section 16(b) programs is excellent, something North Carolina has advocated for years.

5. Elderly and Disabled Program - Programmatic improvements recommended for the Section 16(b) program are excellent.

6. Planning and Research - (Section 438) The administration's proposal contains provisions which begin to correct the virtual absence of federal funds for research which has existed for the last several years. In particular, we support giving the Secretary of Transportation the authority to waive any requirement he deems appropriate in order to facilitate a special project. In addition, we support the involvement of the National Academy of Sciences in the administration of federal research and technology development activities, the continuation of the Rural Transit Assistance Program (RTAP) and the allocation of additional funds to states and MPO's for planning and research.

7. Funding Ratios - (Section 411) We support a 60% federal share for capital projects and a 50% federal share for new projects; our sole reservation relates to the interchangeability of highway and transit funds and the danger that higher funding ratios in the highway program provide incentives to build highways rather than transit projects.

8. Planning - The emphasis being placed on air quality, land use and demand management in the planning process is excellent.

The authorization levels requested for other than new starts in the Administration's proposed discretionary capital program is $50 million per year. From this source non-routine capital projects, capital costs associated with compliance with the Clean Air Act and the Americans with Disabilities Act, fleet expansion and other needs are proposed to be addressed. Ten times the amount proposed would still be inadequate.

In summary, as compared to the current federal transit program, the Administration's proposal is a great leap forward. However, as compared to where we need to be, and particularly with respect to North Carolina's sensitivity to the equity of funding distribution, the Administration's proposal falls short.

Other points which should be addressed before a final Surface Transportation reauthorization is completed include the following:

1. Rural Mobility - The new program should recognize that rural Americans who do not have access to an automobile are more isolated and more in need of public transportation than are their urban counterparts. A federal program which distributes over 97% of the formula funds to areas of 50,000 or greater population is not only blind to that fact but grossly unfair as well. I should note that, in North Carolina, the growth in demand for public transportation services from the human service transportation sector is much more dramatic than that from the urban fixed route sector.

2. Human Service Coordination - The Department of Health and Human services spends more than one billion dollars annually on public transportation. These funds are used to get clients to services and are important components of the budgets of programs such as aging, head start, and social services. While there is a formal working relationship between the Departments of Transportation and Health and Human Services, much work remains to be done to eliminate wasteful, redundant practices which are allowed or, in some cases, encouraged to continue. It is clear that coordinated, multi-purpose human service transportation systems are more cost-effective than a multiplicity of single-purpose services. The new act should encourage, if not force, the continued, aggressive pursuit of coordination and cost-effectiveness at the federal, state and local levels. As mentioned above, Section 417 of the Administration's proposal deals with this issue. Much more aggressive work by the joint DOT/DHHS Coordinating Council is also needed.

   (To demonstrate that the entire burden of coordinating human service transportation should not be assigned to the Federal Government, it should be noted that many states have not tackled this problem effectively and that coordination of similar services between cities and counties can work very well, even without federal encouragement. Several of our urban transportation systems actually provide countywide human service transportation in conjunction with their urban paratransit {504} responsibilities. In other cases, county-sponsored human service transportation systems work with cities to cover urban 504 responsibilities.)

3. Increased Demand for Human Service Transportation - To reinforce the need to provide more equitable funding and to improve cost-effectiveness through coordination, it should be pointed out that there are a number of important trends that all work to fuel explosive growth in the demand for human service transportation. These include:

   a. the aging of the population (in North Carolina we have a pilot program that allows drivers license examiners to put elderly individuals who must forfeit their drivers license in touch with the local human service transportation provider. This serves to mitigate the sense of loss experienced by the elderly individual when the license is denied);

   b. heightened awareness of the needs of the developmentally disabled;

   c. the jobs component of the Family Support Act, which provides transportation assistance to welfare recipients who are searching for a job or who are in the initial stages of a new job.

4. Americans with Disabilities Act (ADA) - This legislation puts more pressure on public transportation systems without corresponding funding increases. The new surface transportation program should deal with the funding implications of ADA. It must be recognized that, in the absence of increased capital and operating funds, services for the disabled may actually decrease following the passage of ADA. Requiring lifts on all vans and small buses, which are the workhorses of the human service transportation business, would increase capital and operating costs while reducing capacity. Most human service transportation systems already offer door-to-door services and deploy their vehicles as required to meet

the needs of wheelchair-bound individuals. Adding a wheelchair lift to a standard van increases its cost by over 40% (as opposed to less than 10% for a standard transit bus), thereby dramatically reducing the ability of our current funding programs to meet the demand for human service capital equipment.

5. Parking - It is incomprehensible, in a world that is choking on automobile exhausts, that free or underpriced parking is an untaxed employee benefit while employer subsidies to employee of over $15/month for transit passes are treated as taxable income. This sends precisely the wrong signal to commuters making their choices on how to get to work. It remains a source of great frustration to public transportation professionals across the country that this problem remains unresolved.

Congressman Rahall of West Virginia has introduced the Mobility Assistance Act of 1991 (HR 1079) as an alternative to the Administration's reauthorization proposal. This bill contains a number of provisions which address North Carolina's concerns positively. Most importantly, the Rahall bill returns to North Carolina a much larger percentage of the taxes paid into the Mass Transit Account by North Carolinians. It recognizes the acute mobility needs of rural Americans. It provides more flexibility to the states to deal with ~~problems~~ associated with implementing the Americans with Disabilities Act, the decline of intercity bus services, the requirements of the Clean Air Act and the shortage of capital funding. We believe that the Mobility Assistance Act of 1991 deserves serious consideration.

Specific Legislative Proposals:

1. Ensure equity in the distribution of funds - AASHTO has proposed continuing use of general funds for transit, as well as spending down the balances of the Mass Transit Account (MTA). All additional appropriations from the MTA over $1.2 billion would be distributed based on a formula (50% Section 9 formula, 50% population). The $1.2 billion base would be utilized for new starts, rail modernization, and bus and bus facility projects per current practice.

Another approach might involve a minimum allocation for states which are net donors under both the highway and transit programs. We recognize the need for sparsely populated western states to receive assistance beyond their contributions in order to build and maintain a national highway system. We realize the need and the tremendous expense involved in building, maintaining, and revitalizing rail transit systems in our largest cities. We find ourselves, however, in a position as a populous, yet rural state of paying disproportionally to support both of these federal priorities. As a net donor for thirty-five years in the highway program and for nine years in the transit program, we believe that neither North Carolinians, nor citizens of any other state similarly treated, should be asked to support projects in other states while their needs go unmet.

2. Human Service Transportation Coordination - This reauthorization process offers the opportunity to strengthen the requirement for transportation operators to coordinate with human service agencies in the provisions of transportation services; similarly, as DHHS programs are reauthorized (for example, the Older Americans Act is due for reauthorization soon), strong language requiring coordination with transportation agencies should be included. The Secretaries of Transportation and Health and Human Services should be held accountable to produce savings in this area.

3. Parking - Either in this reauthorization process or in another appropriate form (e.g. S.26), Congress should end the favored treatment of free or underpriced employer-provided parking vis-a-vis employer-provided or subsidized transit passes or other transit or ridesharing assistance. Either both forms of subsidy should be taxable or neither should be.

4. Project Eligibility - State and local governments must be given broad discretion in use of funds to meet needs as determined locally. The range of activities which constitute legitimate public transportation projects needs to be broad enough to allow innovation and responsiveness to local priorities. Support of intercity bus service, construction of multimodal transportation centers, ridesharing programs, demand-management strategies, high occupancy vehicle lanes and other nontraditional approaches should be allowed and encouraged.

North Carolina sincerely appreciates this opportunity to be heard. We appreciate the difficulty of your task and stand ready to assist in any way possible. Recognizing that transportation plays a role in virtually every part of American life, from economic competitiveness to clean air, energy usage, and independence for the elderly and disabled, we urge you to take this opportunity to enact a bold program, one which provides both the flexibility and the resources to meet the mobility challenges which are facing us.

Senator CRANSTON. Thank you very much.

Senator Riegle would like to apologize for not being present. He had intended to introduce Mr. Schomish and also Mr. Garcia. However, right now the CFTC reauthorization bill is on the Senate floor and he is required to be there because it is within this committee's jurisdiction. A statement from him will go in the record as if read.

OPENING STATEMENT OF SENATOR RIEGLE

Senator RIEGLE. Today as we consider reauthorization of the Urban Mass Transit Act we will be focusing on several key policy issues pertaining to the special needs of small urban and rural transit systems, and the impact of the two recently enacted Federal mandates—the Clean Air Act and the Americans With Disabilities Act—on the operations of transit authorities.

Nationwide, there are almost 1,500 small urban and rural transit authorities which provide over 420 million annual trips. These systems represent a significant portion of our national transportation network. From one perspective, the needs of small urban and rural authorities are very much like those of larger metropolitan systems: all systems experience difficulty in raising enough money to make needed capital investments and in generating sufficient revenues to meet operating expenses.

However, small urban and rural transit authorities also have very distinctive needs: they, more often than not, operate on a shoestring budget; they can become easily overburdened by excessive Federal requirements because they lack enough staff and technical expertise; they rely predominently on motorbuses and demand-response "dial-a-ride" vans to serve the needs of their communities; and small systems—particularly in rural areas—tend to serve a larger portion of special needs populations, such as the elderly.

Reauthorization of the Urban Mass Transit Act must recognize the unique role played by small urban and rural transit authorities in our national transportation network. The testimony of our first panel will be instrumental in helping Congress focus on the issues which are important to these systems.

During the 101st Congress, the Americans With Disabilities Act and the Clean Air Act were enacted. The Clean Air Act marks a major step toward improving the quality of the air we breathe, protecting the health of the public, and addressing urgent environmental concerns. The Americans With Disabilities Act provides much needed protection against discrimination for persons with disabilities—and guarantees access in the areas of transportation, employment, and accommodations.

The administration has proposed creating a $50 million set aside to assist transit authorities with—among other things—complying with these acts. Many transit operators have expressed concern to the committee that this level of funding will fall far short of what is needed. As we begin debate on these issues, we need to keep in mind that the transportation policies we adopt will have a direct impact on the ability of transit authorities to meet these other important national goals.

I would like to thank all of our witnesses for sharing their expertise on these important issues. In particular, I would like to recognize two witnesses from my home State of Michigan—Bill Schomisch of the city of Kalamazoo and Charles Garcia of Detroit Diesel Co. Your participation is invaluable to the committee as we work toward the development of a national transportation policy which will improve the quality of life for Americans today and into the next century.

Senator CRANSTON. Unfortunately, there is another rollcall and, in order to keep things moving, Don Campbell, the staff director of the committee will preside and ask questions that I intended to ask.

I will be back as soon as I can. Perhaps some other Senators will get back before I do.

Don.

Mr. CAMPBELL. The administration's transportation bill would allow greater flexibility between transit and highway funds, as you know, but really not in a balanced way. Funds from a proposed urban/rural highway program which accounts for about 30 percent of the total highway funds could be transferred to transit projects. But all of the mass transit funds would be transferred to highway projects except for New Start funds.

The ability to transfer funds between highway and transit uses will be pretty important to major metropolitan areas and Clean Air nonattainment areas.

We wanted to concentrate a little bit on the effect of that approach in rural areas. Some rural transit operators argue that highway interests are so strong in most States that funding flexibility is likely to drain scarce transit funds over to highways and obviously severe cutbacks or even elimination of services. So the question is what do you think the administration's version of flexibility between highways and transit would do for rural transit systems and what protections do you think are there for small transit providers in rural America under the administration's proposal?

Whoever would like to address that.

Yes, Mr. Hall.

Mr. HALL. I will take a quick shot at it. In our particular case in Reno, we happen to deal with highways and transit. I have been put in a position on a frequent basis of trying to balance off the needs of the street and highway development within our area as opposed to public transit development.

Fortunately, at the local level, there is separate but dedicated funding for both programs. When the MPO is required to establish priorities under the current program for the expenditure of Federal aid urban system funds, what we've found in the past is it's very difficult to convince the policymakers that they should make a transfer from the FAU source into public transit or some other demand management type of process. And you can use it for transit, you can use it for planning, you can use it for ride-sharing and carpooling. But it is difficult to make those transfers and use it in those kinds of programs because—and I suspect that this applies in most areas of the country—there is a strong and pressing need for the development of highway systems, even in the small, urbanized areas. It is very difficult to do that.

I think the level playing field that has been referenced throughout the discussion I have seen and heard over the last few months concerning this issue would require and seek a level playing field primarily based on funding levels. I am somewhat concerned by the administration's proposal as related to the dedicated funding sources, as to whether or not the funds could be moved back and forth.

Transit currently exists in an environment in which folks seem to have a paradigm that says that highways and automobiles are OK and transit is not OK. I think if this country is going to prepare itself for the next century we need to begin to change that paradigm and perhaps incorporate in a more positive paradigm that public transportation is OK and it is a good alternative, particularly within the urbanized areas.

Mr. CAMPBELL. Yes, sir, Mr. Watts.

Mr. WATTS. It will likely mean a diversion of transit funds to highway programs in some States. That will not be true in Florida, but I can tell you around the country the lack of uniformity for support between the transit programs and your highway programs mean that that flexibility—you're going to lose money in some States in the transit area.

As far as how do you address that, how do you protect that, the answer is if you're going to build that flexibility then that is a risk that you take.

Mr. CAMPBELL. The question is whether there are protections other than the ones that have already been identified that might be helpful.

I would like to just move on to the question on operating assistance. The administration's proposal would permit urbanized areas under a million in population to use section 9 formula funds for an expanded definition of associated capital maintenance items, including items that would not qualify as operating expenses.

Operating assistance for small urbanized areas essentially would be held harmless at their fiscal 1991 operating assistance level. The administration's proposal would similarly cap operating assistance for rural areas at the 1991 levels.

How will rural and small urban systems be affected by the administration's proposal essentially to eliminate to limit operating assistance and how would small urban areas benefit or be hurt by the administration's redefinition of associated capital maintenance items?

Mr. COLE. I will take a crack at that.

It appears to us that under the present proposed program of associated maintenance costs, that systems like Topeka would be held harmless is a short-term promise. They have been promised a 1-year hold harmless. We see no long-term obligation one way or the other on this issue.

Frankly, the paperwork and the bureaucracy of that exercise, determining your—determining what you can and cannot do and qualify for Federal funding through this program really seems burdensome to us and really not workable.

Again, our concern would focus on the held harmless clause. We believe that it is a short-term situation and that it is a way to really short circuit operating assistance in the long term.

Mr. KING. I would agree with Mr. Cole on that, with a different reason.

In North Carolina, due to a shortage of funds, we have not been able to use any section 18 money for operating assistance outside of four or five small cities where they really do run a fixed route bus system. Most are countywide human service operations that are primarily van-based. It would have no impact on North Carolina.

The comment I would have about it though, it is a silly intrusion into what ought to be a discretionary matter handled at the State and local level and it serves no purpose. It is antiflexibility.

Mr. SCHOMISCH. I would agree with both gentlemen's positions on that. In Kalamazoo, 50 percent of our operating budget, and no guarantee between 1992, that the money will remain there. We see nothing more than a method to reduce the Federal participation, in effect costing us more money on a State and local basis.

Mr. CAMPBELL. Are there any other responses on that one?

Yes?

Mr. HALL. Just a quick note to follow some of what the other folks at the table have said.

In our case, the section 18 funding that is received in the State of Nevada is a very small amount. I think only one State, Rhode Island, has lower apportionment in operating capital than the State of Nevada has. Based on the population figures that drive the allocation, it makes it difficult for us to operate. We don't actually implement the section 18 or the 16(b)(2) allocations. That is done by the State Department of Transportation

But in conversations that I have had with them, they simply don't have enough money to spread around. When you begin to talk about placing operating caps—while that may not apply with the section 18 and it certainly does not apply with 16(b)(2), what you are talking about is putting a cap in our State on funding services that are woefully inadequate as it is.

I mentioned during my earlier comments and in the written material that I submitted to the committee that currently the operating assistance that is being provided to us represents only 10 percent of our total operating budget. So the operating cap is essentially a nonentity for consideration in our case.

Mr. CAMPBELL. Well, you have to bear with us today. This is a difficult time, obviously, because we have been forced to reschedule hearings because of the death of Senator Heinz. And now, since it is an afternoon hearing, that means that there are votes coming along.

We have a number of other questions that we would like to give to you in writing and we will get them to you later. We'll get them in the mail later on today or actually fax them, I guess, to your offices.

If we could get responses to those questions within the next week, that would be very helpful. We're on a very fast track to move this legislation.

But I really appreciate the fact that you are here and appreciate the testimony that you have already given. So thank you very much.

Our next panel is comprised of Thomas Allen, director of the division of air resources, New York State Department of Environmental Conservation; John Clare, director of development and marketing for Central New York Regional Transportation Authority; Thomas Downs, commissioner of the New Jersey Department of Transportation; Charles Garcia, vice president of Coach Engine Sales, Detroit Diesel Corp.; and Alan Pegg, general manager of the Southern California Rapid Transit District.

Mr. CAMPBELL. Imagine what we would do if we had music.

Senator Cranston is on his way back as best as he can. Sometimes they get over there and something comes up that holds them on the floor a little bit longer, so he has asked us to go ahead.

I think the best thing is to proceed in order, which I guess is Mr. Allen. And why don't we start there and when he comes back we can pick up.

STATEMENT OF THOMAS ALLEN, DIRECTOR OF THE DIVISION OF AIR RESOURCES FOR THE NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Mr. ALLEN. Thank you. My name is Thomas Allen and I am director of the division of air resources for the New York State Department of Environmental Conservation. I appear today on behalf of STAPPA and ALAPCO, the two national associations of State and local air pollution control officials.

The members of our association are directly responsible for implementing the Nation's air pollution control laws and regulations. Our primary goal is to provide our citizens with clean, healthful air.

On behalf of both STAPPA and ALAPCO, I would like to thank you for this opportunity to testify on the transportation-related provisions of the Clean Air Act Amendments of 1990 and thank Senator Cranston for his support and assistance in the reauthorization of the Clean Air Act.

Each day, millions of our citizens are threatened by air pollutants. Smog and other pollutants such as carbon monoxide and fine particulate matter represent a pervasive and intractable problem in this country. In addition, serious health and environmental threats are posed by toxic air pollutants and nitrogen oxide.

The most prevalent source of pollution in our Nation's metropolitan areas today is the motor vehicle. Motor vehicles are responsible for more than one-third of the smog problem and over two-thirds of the carbon monoxide problem. In addition, they aim at significant quantities of particulates and toxic pollutants and nitrogen oxide.

Given the increase in VMT and traffic congestion expected to occur in the next 10 years, the motor vehicle contribution to air pollution will become even more significant.

Clearly, the magnitude of the problem posed by motor vehicles and transportation-related pollution warrants aggressive and comprehensive regulatory action. For such action to be effective, it should focus on four areas: controlling tailpipe emissions from vehicles, regulating the type of fuels that motor vehicles use, maintaining and more effectively ensuring maintenance of the vehicle fleet, and changing the way in which we, as a nation, drive.

Appropriately, the Clean Air Act Amendments of 1990 include several mobile source provisions which play a key role in improving air quality. Such provisions include tough Federal tailpipe standards to control emissions from cars and trucks, the ability for States to adopt and enforce even tougher standards if necessary, and the potential for more stringent tailpipe standards if they are found by EPA to be necessary, feasible, and cost effective.

Another fundamental strategy includes several programs requiring the use of low-polluting fuels. In other words, clean fuels or alternative fuels.

Adequate inspection and maintenance of our vehicles are also very important components of the motor vehicle control strategy and will take us a long way toward meeting the national ambient air quality standards. Such programs will ensure that the anticipated effects of tailpipe standards and clean fuels are achieved.

Notwithstanding the positive environmental impacts that stringent tailpipe standards, requirements for lower polluting fuels and proper inspection and maintenance will have on air quality, pollution from motor vehicles will remain an extremely persistent problem.

Fortunately the Clean Air Act Amendments of 1990 recognize the need to mandate changes in the way transportation-related decisions are made and in the way we mobilize ourselves.

The issue of conformity of air quality and transportation goals is a very important one to STAPPA and ALAPCO. The associations therefore are pleased the Clean Air Act amendments of 1990 clarify some outstanding conformity issues that have in the past resulted in conflicting air quality and transportation goals.

The new amendments expand the conformity provisions of the previous Clean Air Act to define a conforming transportation plan, program, or projects as one that does not cause or contribute to a new violation of any standard in any area, increase the severity or frequency of an existing violation of any standard in any area, or delay timely attainment of any standard.

No transportation plan, program or project may be approved, accepted, or funded unless it has been found to be in conformity with the applicable State implementation plan.

By November of this year, the Environmental Protection Agency is to promulgate criteria and procedures for conformity to address the consultation process to be undertaken by metropolitan planning organizations, the Secretary of Transportation, State and local air quality agencies, and State departments of transportation and also the frequency for making conformity determinations.

With respect to these criteria, there appear to be two unresolved issues. First is the applicability of conformity requirements in attainment areas. Transportation projects in attainment areas must be subject to the same conformity requirements as those in nonattainment areas to prevent both the creation of new carbon monoxide nonattainment problems and the exacerbation of existing nonattainment problems in nearby areas.

Second is the application of conformity requirements to nonfederally funded projects. In many areas, the exemption of nonfederally funded projects from conformity requirements will undoubtedly necessitate additional and, most likely, costly control measures geared toward both mobile and stationary sources to compensate for the increased pollution.

Alternatives to traditional driving habits are also necessary if we are to successfully reduce motor vehicle pollution. Particularly in areas with more serious nonattainment problems, the implementation of transportation control measures, including those identified in the Clean Air Act, and the improvement and expansion of mass transportation will not only reduce vehicle miles traveled—thus improving air quality—but also minimize problems associated with global warming, urban traffic congestion, suburban sprawl and energy efficiency and security.

Motor vehicles are the single greatest source of air pollution in our Nation's cities. Accordingly STAPPA and ALAPCO are pleased that Congress has recognized the need to seek pollution reduction from strategies that go beyond traditional mobile source controls.

We believe the Clean Air Act Amendments of 1990 include many important provisions that will help not only to reduce pollution from mobile sources, but also to reconcile air quality and transportation goals. To provide our citizens with clean, healthy air, it is imperative that we institute changes in the way we mobilize our society.

We commend Chairman Cranston and the members of the subcommittee for examining this crucial issue. I thank you for the opportunity to testify and, on behalf of STAPPA and ALAPCO, offer our cooperation as the subcommittee continues to study transportation issues.

Mr. CAMPBELL. Thank you very much.

Mr. Clare.

STATEMENT OF JOHN CLARE, DIRECTOR OF DEVELOPMENT AND MARKETING FOR THE CENTRAL NEW YORK REGIONAL TRANSPORTATION AUTHORITY

Mr. CLARE. I'm director of development and marketing with the Central New York Regional Transportation Authority in Syracuse, NY. On behalf of our authority in the New York State Alternate Fuels Consortia, I would like to thank the subcommittee and especially Senator D'Amato for this opportunity to testify here today.

There is little doubt that last session's landmark Clean Air Act Amendments brought the issue of alternate fuels to center stage within the transit industry. As part of the legislation, our Nation's transit bus industry was singled out as the point man for the reduction of especially diesel particulate emissions. I am sure there are representatives within our industry that saw this as an unfair burden, but I can assure you that the transit systems with New York State see the situation as an opportunity.

Well before the passage of the Clean Air Act Amendments, several transit systems across the State of New York applied for and received grants from the Urban Mass Transportation Administration's Alternate Fuels Initiative Program. Each of these systems, with the exception of the Albany system which is looking at a hybrid concept vehicle, are pursuing the production and manufacturing and testing of vehicles that ought to be operated on compressed natural gas.

Approximately 1½ years ago, at the invitation of Leonard Braum who is UMTA's director for the Eastern area in New York City, the transit systems in New York State were encouraged to form what is now known as the New York State Alternate Fuels Consortium. At UMTA's request, our authority in Syracuse agreed to serve as the consortium leader to manage and coordinate the efforts of all of these agencies for the purchase of close to 40 compressed natural gas vehicles.

I can report to you today that our consortium has produced one of the finest technical specifications which exists today for compressed natural gas vehicles. By June of this year, we hope to be awarding contracts and, by the summer of 1992, we will be putting these buses into service across the State of New York.

With the production of these buses and their initiation into service, while it is a truly significant event, it will only be the first milestone of a full alternate fuels program. From what our brief experience tells us, it might very well be the easiest part of the program.

It is one thing to achieve success during a testing phase. But it is quite another to apply the new technology in a larger scale throughout an industry. In order to successfully bridge the gap between test and full application, there are several vital elements which must be in place.

First, the related components to the full application must be clearly defined and understood. Second, there must be an absolute commitment to provide the financial resources to acquire these additional components. Third, there must be an equal commitment to provide the financial incentives to stimulate utilization of the vehicles in order to realize the maximum benefit from the investment. And, fourth, there shouldn't be any parallel programs which act in conflict to this program. And I will briefly elaborate on these four points.

To put a compressed natural gas vehicle program into full application beyond purchasing the buses, there needs to be major capital investments in other areas. One example are refueling stations which, for a medium-size transit system such as ours, could easily cost $3 million in today's dollars. There is also modifications that are needed to bus storage facilities from an electrical standpoint and an air ventilation standpoint.

This ties into my second point. The examples mentioned above are technologically achievable as long as there is a clear understanding that we are committed to providing the funds necessary to implement these other areas. If there is one thing that is consistent within our government process, it is that our commitments are only reflected in our budgetary process.

The full success of a wide-scale alternate fuels program will surely ride on the type of budgetary commitment which provides confidence to the transit systems as well as the bus and component manufacturers.

My third point regarding incentives to assure maximum benefit now becomes critical. The successful application of alternate fuels within the transit industry will achieve no significant benefit in and of itself. The true benefit of achieving cleaner air and less dependency on imported oil will only be maximized if people in urban and suburban areas utilize these alternately fueled vehicles as opposed to driving their automobiles. History clearly tells us that the inherent social benefits of change do not ensure the change.

However, the combination of personal financial incentives to achieve the social change increases our odds dramatically. The enactment of financial incentives such as employer-provided transit subsidies as proposed in Senate bill 26 is a good example of what is needed as well.

And, finally, the parallel policies must be coordinated and supportive of each other. During the last 12 months the passage of the Clean Air Act was made. During the same period of time, we are currently debating energy policies and overall comprehensive transportation policies. Without proper coordination and linkage among these policies, they could actually work against each other.

For example, transportation policies which place a continued overreliance on the role of the automobile increase rather than decrease airborne pollutants and would do nothing to reduce our reliance on imported oil.

In closing, the future of our urbanized areas is critical to our Nation's economic vitality and global competitiveness. It is absolutely clear that this future cannot be built around polluted air, massive petroleum imports and congested highways, all of which are a byproduct of our existing transportation systems.

More than ever before, increased investments in our Nation's public transportation systems make sense. The challenges posed by the Clean Air Act are large, but we can comply and we will comply. However, for this compleance to have any real benefit, it must be achieved along with complementary energy and transportation policies, policies which not only recognize that transit is part of the solution, but also provide the national commitment and resources which will enable transit to become part of the solution.

Thank you.

[The complete prepared statement of John Clare follows:]

TESTIMONY OF

JOHN R. CLARE
DIRECTOR OF DEVELOPMENT AND MARKETING

CENTRAL NEW YORK
REGIONAL TRANSPORTATION AUTHORITY

SYRACUSE, NEW YORK

UNITED STATES SENATE

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

APRIL 18, 1991

Mr. Chairman and members of the Subcommittee, Good Afternoon, my name is John Clare. I am the Director of Development and Marketing for the Central New York Regional Transportation Authority (CNYRTA) in Syracuse, New York. On behalf of the CNYRTA and the other members of the NYS Alternate Fuels Consortium I would like to thank the subcommittee for this opportunity to speak to you today concerning our efforts in the area of Alternate Fuels.

There is little doubt that last session's landmark Clean Air Act has brought the issue of Alternate Fuels to center stage within the transit industry. As part of this legislation our nation's urban transit bus industry was singled out as the "point man" for the reduction of diesel particulate emissions. I am sure there are representatives within our industry who feel this was an unfair burden. However, I can assure you that the transit industry in New York State sees this situation as an opportunity.

Well before the passage of the Clean Air Act seven transit systems within the State of New York were receiving grants under the Urban Mass Transportation Authority (UMTA) Alternate Fuels Initiative Program. These systems span the entire state and include the CNYRTA in Syracuse, the NFTA in Buffalo, The RGRTA in Rochester, The CDTA in Albany, MSBA in Nassau County, Long Island, The NYCDOT and BC Transit in Binghamton.

Each of these systems, with the exception of the CDTA which is pursuing a hybrid concept vehicle, will be testing the feasibility of utilizing compressed natural gas as an alternate fuel.

Approximately a year and a half ago at the invitation of Leonard Braun, who is UMTA's Director for the Eastern Area, we were encouraged to form what is now known as the New York State Alternate Fuels Consortium. At UMTA's request the CNYRTA agreed to serve as the Consortium's leader in order to manage a coordinated effort for the purchase of close to 40 CNG Buses.

I can report to you today that our Consortium has produced one of the finest technical specifications in existence for a Compressed Natural Gas Bus. By June of this year we should be awarding contracts for the production of these buses, and by the summer of 1992 we will be placing these buses into service across the State of New York.

While the production of these buses and their initiation into service will be a truly a significant event, it will only be the first milestone of an Alternate Fuels Program. From what our brief experience tells us, it might very well be the easiest part of a comprehensive alternate fuels program in the broader sense of the term.

It is one thing to achieve success during a testing phase, but it is quite another to apply the new technology on a larger scale throughout an industry. In order to successfully bridge the gap between test and full application, there are several vital elements which must be in place.

First, the related components for the full application of this technology must be clearly defined and understood.
Second, there must be an absolute commitment to provide the financial resources to acquire these additional components.
Third, there must be equal commitment to provide the financial incentives, to stimulate utilization, in order to realize the maximum benefit from the investment.
Fourth, There must be no "Parallel" Policies which act in conflict to the Program.

Let me elaborate briefly on these four points.

- In order to translate a limited application of Compressed Natural Gas (CNG) Buses to wholesale application there are massive additional capital projects beyond the purchase of the buses.
  - New refueling facilities need to be constructed. A CNG Refueling Facility , adequate for a medium sized transit bus fleet could cost well over $3,000,000 in today's dollars.

- Indoor Storage Facilities for buses, which are common in the North and Northeast will have to undergo large scale modifications to their air ventilation systems.
- Large scale modifications to lighting systems and other electrical devices in the garage and maintenance shop areas would have to be made to make them explosion proof.

These are a few of the obvious related components which need to be defined and understood.

This now ties into my second point.

The three examples just mentioned are technologically achievable as long as there is a clear understanding that we are committed to providing the funds necessary to impliment them. If there is one thing that is consistent within our governmental process, it is that our commitments are only reflected within the budgetary process. The full success of a wide scale Alternate Fuel Program will surely ride a type of budgetary commitment which provides confidence to the transit systems as well as bus and component manufacturers.

My third point regarding incentives to assure maximum benefit from the investment now becomes critical.

The successful application to alternate fuels within the transit industry will achieve no significant benefit in and of itself. The true benefit of achieving cleaner air and less dependency on imported oil will only be maximized if people in urban and suburban areas utilize these alternate fuel vehicles as opposed to driving their automobiles.

History clearly tells us that the inherent benefits of social change does not assure that such a change will take place. However, the combination of personal financial incentives to achieve to social change increases our odds dramatically.

The enactment of financial incentives such as the Employer provided Transit Subsidy as proposed in S. 26 or financial incentives to private industry or local gas utilities to finance fueling and garage modification projects may very well be necessary to realize the air quality and energy independence benefits of an Alternate Fuels Program.

And finally, "Parallel" Policies must be coordinated and supportive of each other.

During the last 12 months our nation has passed a landmark Clean Air Act. During this same time period, we have been debating and formulating comprehensive Transportation and Energy Polices.

The goal of the Clean Air Act is to reduce pollutants released into the atmosphere. The goal of a Comprehensive Energy Policy should be to strengthen our nation's economic and strategic security through energy conservation and reducing our dependence on imported oil. The goal of our National Transportation Policy should be to improve the vital mobility of people and goods.

Without proper coordination and linkage among these policies they could actually work against each other. For example, Transportation Policies which place a continued over reliance on the role of the automobile within our urban and suburban areas could increase rather than decrease airborne pollutants and would do nothing to reduce our reliance on imported oil.

In closing, the future of our urbanized areas is critical to our nation's economic vitality and global competitiveness. It is absolutely clear that this future cannot be built around polluted air, massive petroleum imports and congested highways, all of which are a by-product of our existing transportation systems.

More than ever before, increased investments in our nation's public transportation systems make sense.

The challenges posed by the Clean Air Act and the use of alternate fuels for transit fleets are large, but at the same time vitally necessary. We can comply and we will comply.

However, for this compliance to have any real benefit, it must be achieved along with complimentary energy and transportation policies; policies which not only recognize that transit is part of the solution but also provide the national commitment and resources which will enable transit to be part of the solution.

Senator CRANSTON. Thank you very, very much. I'm sorry I didn't hear all of your testimony and your predecessor's.

We will now hear from Thomas M. Downs, commissioner of the New Jersey Department of Transportation from Trenton, NJ.

STATEMENT OF THOMAS M. DOWNS, COMMISSIONER OF THE NEW JERSEY DEPARTMENT OF TRANSPORTATION

Mr. DOWNS. Thank you, Mr. Chairman.

I have the dubious pleasure of serving not only as the commissioner of transportation for the State, but as chairman of the board of New Jersey Transit, the only statewide transit system in the United States and the third largest rail system in the United States.

I was particularly interested in the panel on clean air because, while a number of States face urban problems like Los Angeles has with clean air, the entire State of New Jersey is a nonattainment area under the Clean Air Act, not just in urban areas but in every single county in the State. This is because of the impact of Philadelphia on the southern part of the State and the New York City region on the northern part of the State. We have no place to hide; we have no place to go.

We know that the constraints and requirements in the Clean Air Act will dictate every transportation capital investment decision we make over the next decade. Our concern is that the flexibility that is proposed in the administration's bill for making those necessary capital investments is nonexistent.

The issue of the appearance of flexibility is, in many cases, a sham. The administration touts that it is enhancing flexibility by allowing all of the transit funding in the title 49 provision of the bill to be spent for highway projects and approximately 30 percent of the highway funds in title 23 to be spent for transit projects. It boasts that a reduction in the match ratio requirement on the Federal side of transit is encouraging more transit. It is more local participation in transit capital.

In effect, by proposing a match ratio of 40 percent on transit projects and either 10 percent on local managing requirements on certain highway projects or 20 percent on others, it provides a serious economic disincentive to shift funding from highways to transit.

I am not an advocate of simply blindly shifting all highway funding to transit. It is not my job, nor do I think that it is the right answer.

But to bias the investment decisions in the transportation arena this way in the face of the clean air mandates is being blind to those requirements and the impacts they're going to have on local jurisdictions.

I would make two recommendations to you. The first is that State and local officials need total flexibility to use transportation dollars in a way that helps to achieve attainment in nonattainment areas. With limitations in Federal law, you potentially penalize States for being in nonattainment and do not allow them to spend their capital in a way that will let them reach attainment.

Second, there has to be match equity. Whatever the match equity ratio is on the highway side, it has to be the match ratio on the transit side.

I know it is not on the issue of clean air, but I think it is time to reassemble the coalition that existed earlier in the 1970's and 1980's on transit. With the mandates on clean air, there is again an environmental stake in transit. With the mandates on ADA, there is a handicapped and elderly stake in transit. With the possibility of doubling or tripling section 18, there is the possibility of bringing back the urban/rural coalition about transit funding.

There is a way to tie all of that together and that is to restore the general funding of transit and earmark it to those particular charges that the National Government has created for all of us at the local level.

I am reminded only in part because I was part of the debate in 1978 for the first surface transportation assistance act. It was a question about whether or not $75 million for section 18, for instance, was going to be adequate for the national needs. It was adopted by the Congress at $75 million. It then sank rapidly to $50 million and we're now claiming victory after 14 years to getting it back to, in essence, its 1978 levels.

The only thing worse than what has happened to section 18 rural is what has happened to national funding with transit. The entire amount provided for highways in 1 year, in fiscal year 1996, is more than transit receives during the entire 5-year life of the bill. In other words, the funding ratio is ultimately 5 to 1. That inequity cannot continue to exist. It cannot continue to rob local jurisdictions of the ability to make investments against our Clean Air Act requirements and have the National Government expect to make progress both in terms of urban mobility and clean air.

Thank you, Senator.

[The complete prepared statement of Thomas Downs follows:]

TESTIMONY
OF
COMMISSIONER THOMAS M. DOWNS
BEFORE THE SENATE SUBCOMMITTEE ON
HOUSING AND URBAN AFFAIRS

MR CHAIRMAN, I AM THOMAS M. DOWNS, NEW JERSEY COMMISSIONER OF TRANSPORTATION AND CHAIRMAN OF THE NEW JERSEY TRANSIT BOARD OF DIRECTORS. I APPRECIATE THIS OPPORTUNITY TO TESTIFY BEFORE THE SENATE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS REGARDING THE NEED TO LINK THE SURFACE TRANSPORTATION ASSISTANCE ACT WITH THE MANDATES OF THE CLEAN AIR ACT AMENDMENTS.

IF WE ARE TO ACHIEVE THE GOALS SET FORTH IN THE CLEAN AIR LEGISLATION, WE MUST CHANGE THE WAY WE THINK ABOUT TRANSPORTATION. THE HIGHWAY PROGRAM IS DISCUSSED IN TERMS OF A "SYSTEM OF NATIONAL SIGNIFICANCE." IT IS ABOUT TIME THAT WE RECOGNIZED THAT THE TRANSIT SYSTEMS IN THIS COUNTRY ADDRESS ISSUES OF NATIONAL SIGNIFICANCE AS WELL. URBAN MOBILITY, CLEAN AIR, ENERGY INDEPENDENCE AND ECONOMIC PROSPERITY ARE ALL ISSUES IN THE NATIONAL INTEREST WHICH CAN BE ADDRESSED THROUGH AN EFFECTIVE TRANSIT SYSTEM.

ONE OF THE MOST IMPORTANT CHANGES WE MUST MAKE IN THIS REAUTHORIZATION LEGISLATION IS TO ENSURE THAT STATE AND LOCAL OFFICIALS HAVE THE FLEXIBILITY TO PROMOTE THE BEST TRANSPORTATION SOLUTIONS WITHIN CORRIDORS. NO LONGER CAN WE AFFORD TO LOOK AT ONLY THE BEST HIGHWAY SOLUTION. WE MUST NOW PROMOTE INTERMODAL SOLUTIONS, AND WHERE NECESSARY TRANSIT INVESTMENTS OVER HIGHWAY EXPANSION PROJECTS.

IN THE PAST, FEDERAL TRANSPORTATION POLICY HAS NOT PROMOTED THIS COORDINATED COMPREHENSIVE APPROACH TO TRANSPORTATION PLANNING. I REALIZE THAT EXISTING LAW ALREADY REQUIRES A COMPREHENSIVE, COORDINATED AND CONSOLIDATED PLANNING PROCESS, HOWEVER, THE GAP BETWEEN WHAT IS REQUIRED AND WHAT OCCURS IS TREMENDOUS.

THE FAILURE TO PROMOTE COMPREHENSIVE PLANNING DECISIONS IS PRIMARILY CAUSED BY THE STRUCTURE OF FEDERAL TRANSPORTATION PROGRAMS. THE INABILITY TO USE FEDERAL HIGHWAY FUNDS ON PUBLIC TRANSPORTATION PROJECTS, EVEN WHEN MASS TRANSIT IS THE BEST SOLUTION, FLIES IN THE FACE OF COMPREHENSIVENESS AND COORDINATION. MATCHING RATIOS OF ONLY 10 PERCENT LOCAL MATCH FOR HIGHWAY PROJECTS, BUT 25 OR A PROPOSED 40 PERCENT LOCAL MATCH FOR TRANSIT PROJECTS, MEANS THAT STATE AND LOCAL GOVERNMENTS WILL ALWAYS FAVOR THE HIGHWAY PROJECT OVER THE TRANSIT PROJECT.

IT IS IRONIC THAT THE ADMINISTRATION'S REAUTHORIZATION PROPOSAL NOT ONLY FAILS TO ADDRESS THIS SITUATION, BUT ACTUALLY PROPOSES TO MAKE IT WORSE BY INCREASING THE LOCAL MATCH FOR TRANSIT AND BY PROVIDING COMPLETE FLEXIBILITY TO USE TRANSIT FUNDS FOR HIGHWAYS BUT LIMITING FLEXIBILITY TO USE HIGHWAY FUNDS FOR TRANSIT.

I RECOGNIZE THAT THIS COMMITTEE'S JURISDICTION DOES NOT EXTEND TO THE HIGHWAY SIDE, HOWEVER, FAILURE TO ADDRESS THE ISSUES OF FLEXIBILITY AND LOCAL MATCH EQUITY WILL RESULT IN THE STATUS QUO BEING MAINTAINED. AND TRUST ME, WE CANNOT AFFORD THE STATUS QUO, PARTICULARLY WHEN IT COMES TO THE QUALITY OF THE AIR WE BREATHE.

PAST FEDERAL TRANSPORTATION POLICIES HAVE UNDERMINED THIS NATION'S ABILITY TO ACHIEVE CLEAN AIR, NOT TO MENTION OUR ABILITY TO REDUCE FOREIGN OIL CONSUMPTION AND ACHIEVE MAXIMUM ECONOMIC PRODUCTIVITY. THE FAILURE OF EVERY MAJOR URBANIZED AREA IN THIS NATION TO ACHIEVE AIR QUALITY STANDARDS IS DIRECTLY ATTRIBUTABLE TO VEHICLE MILE GROWTH AND AUTO CONGESTION.

ALTHOUGH THE NATION'S POPULATION INCREASED BY ONLY 8 PERCENT BETWEEN 1980 AND 1988, THE NUMBER OF REGISTERED AUTOMOBILES INCREASED BY 16 PERCENT. THERE WERE 17 MILLION MORE VEHICLES ON THE NATION'S HIGHWAYS IN 1988 COMPARED TO 1980. VEHICLE MILES TRAVELLED DURING THIS TIME PERIOD INCREASED BY 26 PERCENT. AS A RESULT, THE EMISSION REDUCTIONS THAT WERE SAVED BY IMPROVED TAIL PIPE TECHNOLOGY WERE OFFSET BY THE POLLUTION CAUSED BY INCREASED VEHICLE MILES TRAVELED.

UNCHECKED GROWTH IN VEHICLE MILES TRAVELED MUST END. IT MUST END BECAUSE WE CANNOT AFFORD TO WASTE OUR TIME SITTING IN TRAFFIC RATHER THAN PRODUCING. BUT MORE IMPORTANTLY IT MUST END BECAUSE IF IT DOESN'T EVERY MAJOR METROPOLITAN AREA IN THE NATION WILL FAIL TO ACHIEVE FEDERALLY ESTABLISHED AIR QUALITY STANDARDS. AND WHILE WE SIT IN TRAFFIC CHOKING ON THE POLLUTION COMING OUT OF OUR CARS, OUR ECONOMY WILL CHOKE FROM THE INEFFICIENCY OF OUR TRANSPORTATION POLICY.

WHAT WILL HAPPEN IF AIR QUALITY STANDARDS ARE NOT MET? FOR THOSE AREAS NOT IN ATTAINMENT, IT WILL BE THE FHWA'S VERSION OF THE NCAA DEATH PILL. AREAS WILL BE DENIED ACCESS TO FEDERAL HIGHWAY FUNDS, EXCEPT FOR SOME LIMITED PURPOSES SUCH AS SAFETY. ALTHOUGH MASS TRANSPORTATION PROJECTS WOULD BE ELIGIBLE, THE LIST OF TRANSIT PROJECTS THAT CAN BE UNDERTAKEN WITH FHWA FUNDS IS EXTREMELY LIMITED.

BUT WE HAVE AN OPPORTUNITY TO MAKE CHANGES IN THIS REAUTHORIZATION BILL THAT CAN STOP THIS VICIOUS CYCLE OF POLLUTION AND ECONOMIC DISASTER. WHAT NEEDS TO BE DONE?

FIRST AND FOREMOST, STATE AND LOCAL OFFICIALS NEED TOTAL FLEXIBILITY TO USE FEDERAL TRANSPORTATION DOLLARS ON THOSE PROJECTS THAT HELP ACHIEVE AIR QUALITY STANDARDS. IN NON-ATTAINMENT AREAS, I PROPOSE THAT FEDERAL HIGHWAY FUNDS, INCLUDING NHS FUNDS, BE USED FOR MASS TRANSPORTATION PROJECTS REQUIRED TO ACHIEVE AIR QUALITY STANDARDS. NOTHING SEEMS MORE ABSURD THAN TO RESTRICT THE USE OF FEDERAL HIGHWAY FUNDS FOR ONLY HIGHWAY PURPOSES, AND THEN IN NON-ATTAINMENT AREAS TELL STATE AND LOCAL OFFICIALS THAT THEY ARE PROHIBITED FROM USING THOSE FUNDS FOR HIGHWAY PURPOSES. IT IS THE ULTIMATE CATCH 22.

SECOND, WE MUST ENSURE LOCAL MATCH EQUITY. TRANSFERABILITY AND FLEXIBILITY MEAN LITTLE IF THE LOCAL MATCH REQUIREMENTS ARE NOT THE

SAME. NO OFFICIAL IN HIS RIGHT MIND IS GOING TO SEEK TO TRANSFER HIGHWAY FUNDS TO TRANSIT IF THE LOCAL MATCH GOES FROM 10 PERCENT TO 20 OR 25 PERCENT. I RECOMMEND THAT THE LOCAL MATCH BE SET AT 20 PERCENT FOR ALL PROGRAMS.

THIRD, WE NEED TO STRENGTHEN THE TRANSPORTATION PLANNING PROCESS AND ENSURE THAT IT SUPPORTS AIR QUALITY OBJECTIVES. THE CLEAN AIR ACT REQUIRES THAT STATES ADOPT A STATE IMPLEMENTATION PLAN (SIP) THAT IS ACHIEVABLE, NOT ONLY IN TERMS OF ANTICIPATED BENEFITS, BUT ALSO IN TERMS OF SECURING ADEQUATE FUNDING TO IMPLEMENT THE PLAN. SUCCESSFUL IMPLEMENTATION OF THE SIP IS DEPENDENT ON LOCALLY DEVELOPED TRANSPORTATION IMPROVEMENT PROGRAMS (TIPS) BEING IN CONFORMANCE WITH THE SIP. IN ORDER TO ACCOMPLISH THIS, THE ACT MUST ENSURE THAT THE TRANSPORTATION PLANNING PROCESS THIS TIME IS INDEED COMPREHENSIVE.

IN MANY WAYS THE CLEAN AIR ACT WILL ENSURE THIS TYPE OF COMPREHENSIVE PLANNING. ONE REQUIREMENT WITHIN THE CLEAN AIR ACT IS THAT TRANSPORTATION CONTROL MEASURES MUST BE ESTABLISHED TO OFFSET EMISSIONS INCREASES CAUSED BY EITHER VEHICLE MILES TRAVELED OR VEHICLE TRIP INCREASES. THAT MEANS THAT IN ORDER FOR ECONOMIC DEVELOPMENT TO TAKE PLACE IN A NON-ATTAINMENT AREA, MASS TRANSIT INVESTMENTS MUST BE MADE, SINCE ANY DEVELOPMENT WILL RESULT IN MORE VMT AND VEHICLE TRIPS. BASICALLY, THE CLEAN AIR ACT HAS LAID DOWN THE LAW -- IT IS NOW PUT UP OR SHUT DOWN TIME.

AS BOTH A HIGHWAY AND TRANSIT OFFICIAL, I CERTAINLY DO NOT ADVOCATE THE WHOLESALE SHIFTING OF HIGHWAY FUNDS TO TRANSIT. THERE WILL ALWAYS BE A NEED FOR A MODERN AND EFFICIENT HIGHWAY SYSTEM TO ENSURE THE MOVEMENT OF PEOPLE AND GOODS. HOWEVER, AS A HIGHWAY AND TRANSIT OFFICIAL I ALSO RECOGNIZE THAT WE NEED TO PROMOTE AN INTEGRATED AND COORDINATED APPROACH TO TRANSPORTATION PLANNING. WE NEED TO ENSURE ONE INTERMODAL SYSTEM - NOT A SERIES OF SUB SYSTEMS COMPETING AGAINST EACH OTHER. THIS COORDINATION IS ESSENTIAL IF WE ARE TO CLEAN UP OUR AIR.

AS YOU KNOW, THE CLEAN AIR ACT DOES NOT RELY SOLELY ON IMPROVED PLANNING AND COORDINATION TO ACHIEVE ITS GOALS. STRINGENT TAIL PIPE EMISSIONS STANDARDS HAVE BEEN IMPOSED ON ALL VEHICLES, INCLUDING TRANSIT BUSES. NJ TRANSIT ESTIMATES ITS CAPITAL COST OF COMPLIANCE WITH THE CLEAN AIR ACT AT APPROXIMATELY $80 MILLION.

THIS IS ONLY ONE OF A SERIES OF IMPORTANT BUT COSTLY MANDATES IMPOSED ON TRANSIT AGENCIES BY THE FEDERAL GOVERNMENT RECENTLY. COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT (ADA) WILL COST NJ TRANSIT AS MUCH AS $240 MILLION IN CAPITAL FUNDING, DEPENDING ON HOW THE KEY STATION PROVISIONS ARE REQUIRED TO BE IMPLEMENTED. NJ TRANSIT'S ANNUAL OPERATING BUDGET WILL INCREASE BY APPROXIMATELY $35 MILLION AS A RESULT OF ADA. THERE IS NO QUESTION THAT BOTH THE CLEAN AIR ACT AND THE ADA ADDRESS IMPORTANT ISSUES. HOWEVER, CONGRESS MUST TAKE RESPONSIBILITY FOR THE MANDATES IT IMPOSES, AND PROVIDE THE FUNDING NECESSARY TO IMPLEMENT THEM.

THIS CAN BE DONE BY RESTORING GENERAL FUND SPENDING FOR TRANSIT TO A LEVEL OF $2.1 BILLION. THIS LEVEL OF FUNDING, WHICH CONGRESSMAN ROE HAS RECOMMENDED ON THE HOUSE SIDE, IS ABSOLUTELY ESSENTIAL TO IMPLEMENT THE CLEAN AIR AND ADA MANDATES CONGRESS HAS IMPOSED.

THE ADMINISTRATION'S PROPOSAL TO ABANDON GENERAL FUNDS FOR TRANSIT AND ELIMINATE FEDERAL OPERATING ASSISTANCE FOR LARGE URBANIZED ARES UNDERMINES OUR ABILITY TO FULFILL THE MANDATES IMPOSED BY CONGRESS. ANY EFFORT TO PROVIDE FLEXIBILITY AND EQUALIZATION OF LOCAL MATCH WILL BE COMPLETELY USELESS IF ADEQUATE FUNDING FROM BOTH THE GENERAL FUND AND THE MASS TRANSIT ACCOUNT IS NOT PROVIDED.

EVEN THOUGH FEDERAL OPERATING ASSISTANCE REPRESENTS ONLY ABOUT 6 PERCENT OF OUR TOTAL REVENUES, THE LOSS OF OPERATING ASSISTANCE IN FY 1992 WOULD CAUSE NJ TRANSIT TO INCREASE FARES 17 PERCENT -- WHICH COULD SUBVERT OUR GOVERNOR'S ATTEMPT TO HOLD THE LINE ON FARES IN FY 1992. SHOULD OPERATING ASSISTANCE BE ELIMINATED, 8.5 MILLION MORE AUTO TRIPS WILL BE MADE ON NEW JERSEY'S HIGHWAYS, RESULTING IN MILLIONS OF MORE POUNDS OF POLLUTANTS BEING EMITTED INTO OUR AIR. IF WE ARE TO ACHIEVE CLEAN AIR STANDARDS, WE SIMPLY CANNOT AFFORD THIS LOSS OF FUNDING.

IN ADDITION, THE ADMINISTRATION'S BILL SIGNIFICANTLY UNDERFUNDS THE CAPITAL NEEDS OF MASS TRANSIT -- IT IS INTERESTING TO NOTE THAT THE AMOUNT PROVIDED FOR HIGHWAYS IN ONE YEAR, FY 1996, IS MORE THAN THE

TRANSIT RECEIVES DURING THE FIVE (5) YEAR LIFE OF THE BILL, UNDER THE ADMINISTRATION PROPOSAL.

THIS CONCLUDES MY TESTIMONY. ONCE AGAIN I THANK THE COMMITTEE FOR THE OPPORTUNITY TO TESTIFY.

Senator CRANSTON. Thank you very, very much.

We come to Alan Pegg, general manager of the Southern California Rapid Transit District from L.A., California.

I want to say a special word of welcome to you, Alan, for your presence, for coming across the country, and most of all for the leadership that the district is showing and the tremendous work the district is undertaking in leading the country's efforts to develop and implement alternative fuel buses.

I would also like to welcome Vince behind you, who is the equipment engineering manager implementing these efforts.

Your work is vital. I welcome you both to this committee. You have already been a tremendous help to the subcommittee and I count on more of the same.

STATEMENT OF ALAN PEGG, GENERAL MANAGER OF THE SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

Mr. PEGG. Thank you, Senator. Thank you particularly for your encouragement to attend these hearings.

On behalf of the Southern California Rapid Transit District, I would like to thank you for the opportunity to present our views on the reauthorization of the Urban Mass Transit Act with a particular focus on the transportation-related provisions of the Clean Air Act Amendments of 1990.

The passage of the Clean Air Act by the 101st Congress demonstrated Congress' commitment to environmental programs. However, at the time of its passage, the effect of the legislation on transportation planning and project selection was unknown. The cost impacts of the bus provisions were unavailable. Transit properties had not yet gained experience in the development of alternative fuel engines.

The transit industry has gained the experience and we are in the position to provide Congress with insight into the cost, planning, and operational impacts of the Clean Air Act.

The SCRTD leads the country in the development of alternatively fueled public transit vehicles. The district operates one-half of the Nation's alternatively fueled bus fleet and is the only operator to successfully place alternatively fueled buses in revenue service and achieve standards comparable to diesel. By the end of 1991, more than 70 alternatively fueled vehicles will be placed in revenue service.

Any transit project planned since the passage of the Clean Air Act must take into consideration the urban bus provisions of the act and, in particular, the emissions standards that it imposes. The technologies available for the use have different price tags. Moreover, the total cost of implementing any technology must include the cost of providing necessary infrastructure, rolling stock, alternative fuels themselves, added costs of maintenance, and the additional fleet costs.

All new projects undertaken at SCRTD are reviewed to ensure compliance with mandates, as well as anticipating Government policy guidance for the shift to alternative fuels. In the Los Angeles area, the Air Quality Management Plan will move Los Angeles toward alternate fuels and electric development across the board by the year 2000.

To meet this challenge, SCRTD has adopted a bus procurement policy that restricts new purchases to alternatively fueled vehicles only. The district manages the largest alternative fuels facility for transit in the world. To our knowledge, ours is the most proactive testing program for those heavy-duty technologies. We have gained a great deal of knowledge from these programs, but we still have a lot to learn.

SCRTD is working with methanol, particulate trap, compressed natural gas. We'll explore electric trolley and liquified natural gas. Some of our conclusions are methanol. Methanol is currently the most advanced in the development cycle. With proper training, there are no major safety hazards associated with this technology. However, methanol entails approximately 30 percent more labor costs per mile, which will at least double or possibly triple our fuel costs as compared to diesel. Methanol also reduces durability for the time between engine overhauls.

Particulate trap, while the cheapest and the most cost-efficient technology, does not meet the same set of overall pollution standards as do the other alternate fuels. In particular, particulate standards below .1 may be difficult to achieve.

Electric trolley. The district is exploring electric trolley bus applications. The SCRTD has just entered the second phase of this study and has identified 10 lines for electrification with a possible 20 percent of all of its lines electrified in the future.

Compressed natural gas. The development of CNG engines are in a very early phase. Our first task has been to get CNG buses to operate in a reliable manner so that data accumulation on durability and other associated costs of maintenance and operation can advance.

We have joined with the California Gas Co. to explore the implementation of liquified natural gas and I would note that this week we began revenue operation on a regular basis.

In the summer of 1990, SCRTD conducted a survey of public transit properties to determine the cost to convert from diesel buses to alternate fuel, low emission buses. This survey encompassed 18 of the Nation's largest transit properties who collectively operate 22,000 of the 39,000 buses that will be impacted by the Clean Air Act.

The results of the survey gave us a clear picture of the costs.

A diesel bus costs $190,000.

Particulate traps are 7 percent more expensive.

Methanol, 25 percent more expensive.

And CNG, 33 percent more expensive.

To replace all 39,000 buses in the Nation's fleet would range from $8 million for particulate traps, to $9.9 million for CNG.

Fuel costs, using diesel as the standard at approximately $185 million, would range up to $536 million for methanol.

These estimates will be refined as more experience is gained.

Facilities: Cost estimates for new fueling facilities vary widely.

They are influenced by municipal codes.

While no national conclusions can be drawn, we see costs ranging from $1.05 to $1.15 million for a new methanol facility.

In conclusion, while several ideas have been advanced as to how we may stretch existing Federal dollars, and while flexibility has been highly recommended as part of this act, we would urge that reauthorization contain a guaranteed continuation of operating assistance to urban areas of over 1 million people.

These are the areas where the battles of congestion, clean air, and accessibility will be hardest fought.

Federal assistance is absolutely essential if we are to win this battle.

I appreciate your courtesy and the opportunity to testify.

Thank you.

[The complete prepared statement of Alan Pegg follows:]

TESTIMONY BEFORE THE UNITED STATES SENATE
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

APRIL 18, 1991

by

ALAN F. PEGG
General Manager

of

THE SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
Los Angeles, California

Southern California Rapid Transit District 425 South Main Street Los Angeles California 90013 (213) 972-4300

Chairman Cranston, Senator D'Amato, members of the Subcommittee, on behalf of the SCRTD I would like to thank you for the opportunity to present our views on the reauthorization of the Urban Mass Transit Act with a particular focus on the transportation-related provisions of the Clean Air Act Amendments of 1990.

The SCRTD is one of the largest transit operators in the country, providing vital transit service to 1.4 million daily riders residing in 87 cities with a peak fleet of nearly 2,000 buses. A recent UMTA report shows that not only do our buses operate more miles per day than any other system in the country, but our passengers receive more service for the fare than any other system.

The District also operates 54 light rail vehicles on Los Angeles' new Metro Blue Line which opened in July 1990. The Blue Line's success is demonstrated by an average daily ridership of 25,000 passengers. The SCRTD will also operate the Metro Red line subway when it opens in mid-1994.

The SCRTD leads the country in the development of alternatively fueled public transit vehicles. The District operates one-half of the nation's alternatively fueled bus fleet and is the only operator to successfully place alternately fueled buses in revenue service and achieve standards comparable to diesel. By the end of 1990, more than 70 alternatively fueled vehicles will be placed in revenue service. The District also manages the largest alternative fuels research and development facility for transit in the world.

The passage of the Clean Air Act by the 101st Congress demonstrated Congress's commitment to environmental programs. However, at the time of its passage the effect of the legislation on transportation planning and project selection was unknown. The cost impacts of the urban bus provisions were unavailable and, Mr. Chairman, transit properties had not yet gained experience in the development of alternative fuel engines.

Mr. Chairman, the transit industry has gained the experience and we are in the position to provide Congress with insight into the cost, planning, and operational impacts of the Clean Air Act.

EFFECT ON PLANNING AND PROJECT SELECTION

Any transit project planned since the passage of the Clean Air Act must take into consideration the urban bus provisions of the Act and, in particular, the emission standards it imposes. In addition, alternative fuel development can be used to achieve energy independence for this country as well as achieving improved environmental goals. However, these technologies have different price tags. Moreover, the total cost of implementing any technology must include:

- the cost of providing necessary infrastructure;
- the cost of rolling stock;
- the added cost of alternative fuels;
- the added cost of maintenance; and
- the additional fleet cost, should alternatively fueled vehicles prove less durable than diesel powered buses.

In the Los Angeles area, the Air Quality Management Plan will move Los Angeles towards alternate fuels and electric development across the board by the year 2000. To meet this challenge, the SCRTD currently has adopted a bus procurement policy that restricts new purchases to alternative fueled vehicles only.

All new projects undertaken at SCRTD are reviewed to insure compliance with current local, state, and federal environmental mandates as well as anticipating government policy guidance for the shift to alternative fuels. An example of this can be seen with replacement of fuel tanks at our operating divisions in the mid-1980s. The replacement tanks were designed to be methanol compatible to accommodate new technologies not yet in place.

If a transit operator is planning to repair fuel tanks or bringing them up to standards, it would seem prudent to make them methanol compatible. However, it is estimated that there is a 10 to 15 percent increase in cost as compared to building new diesel facility.

ALTERNATIVE FUEL ENGINES

Transit buses operate out of centralized, fixed facilities under heavy-duty work cycles and, as a result, have been thrust into a position of leadership in attempting to solve and get answers to the many questions posed by new environmental strategies. The SCRTD is neither pro nor con to any of these strategies, but is merely trying to find the lowest life cycle cost while improving the air quality in the South Coast Basin.

The District manages the largest alternative fuels research facility for transit in the world. Our goal has been to find clean air solutions in a heavy-duty vehicle environment which will have the least life cycle cost ramifications to the transit industry. To our knowledge, ours is the most proactive testing program for these heavy-duty technologies in the world. We have gained a great deal of knowledge from these programs, but we still have a lot to learn.

Methanol:

Currently, methanol is the most advanced in the development cycle, and we have demonstrated that it can work in Los Angeles and feel that with proper training, there are no major safety hazards associated with this technology. However, methanol entails approximately 30 per cent more labor cost per mile, which will at least double or possibly triple our fuel costs as compared to diesel. Methanol also reduces durability or the time between engine overhauls.

Particulate Trap:

The particulate trap adaption for diesel is the most cost efficient technology in solving the life cycle problem at this stage. However, current data shows that use of a particulate trap will not allow operators to meet particulate matter emission standards below .10. Particulate traps may have limited future use as our standards become stricter.

Electric Trolley:

The District is also exploring electric trolleybus applications. The SCRTD has just entered the second phase of this study and has identified ten lines for possible electrification. Current data suggests that approximately 20 percent of our operation may eventually become electric powered.

Compressed Natural Gas:

CNG has a potential of being a relatively cheap fuel and achieving higher durability goals than diesel engines. However, the development of the CNG engines are in a very early phase. Our first task has been to get CNG buses to operate in a reliable manner so that data accumulation on durability and other associated costs of maintenance and operation can advance. Additionally, the SCRTD has joined with the Southern California Gas Company to explore the possibility of Liquified Natural Gas (LNG). LNG may offer advantages with regard to vehicle weight and fast fueling capability.

COST IMPACTS OF THE URBAN BUS PROVISIONS

In the summer of 1990, SCRTD conducted a survey of public transit properties to determine the costs to convert from diesel buses to alternate fuel/low emissions buses. The survey also evaluated the cost to purchase and operate an alternate fuel/low emission transit bus fleet. In addition to fuel and fleet costs, transit properties were asked to estimate the costs of constructing or upgrading alternate fuel fueling facilities. Code interpretations, land costs, and lack of specific design guidance resulted in a wide range of cost estimates; therefore, survey findings for fueling facilities are generalized. (See Attachment 1)

The cost estimates identified in the survey are based on limited testing of new R&D technologies. There is no mature or completely tested heavy-duty clean air transit bus technology currently available. The survey results represent the best available cost estimates based on each operator's individual situation and local market availability of methanol, CNG and low sulfur diesel fuel.

This survey provides policy makers with the best available fleet data and cost estimates (as of summer 1990) to evaluate the impacts of the Clean Air Act on the U.S. public transit industry. The survey's findings demonstrate the urgent need for Congress to authorize and appropriate funds to comply with federal mandates.

DESCRIPTION OF FLEET COSTS

Transit fleet costs are usually associated with a 12-year bus life and replacement cycle. Local laws and conditions will affect these schedules. For example, under the clean air regulations that SCRTD operates under, these costs would be accelerated as we are obligated to achieve a goal of 100 percent conversion to low emission buses by the year 2000. As such, it will be necessary to increase bus capital spending to replace the SCRTD fleet in less than 12 years.

Based on the results of the survey, the estimated bus replacement cost for each technology, at 1990 prices, would be:

- Diesel - $190,000
- Methanol - $238,000
- CNG - $254,000
- Particulate Trap - $204,000

The total estimated costs for a national fleet of 39,000 buses would be:

- Diesel - $7.4 billion
- Methanol - $9.3 billion
- CNG - $9.9 billion
- Particulate Trap - $8.0 billion

DESCRIPTION OF FUEL COSTS

Fuel cost data in this survey were collected before the Persian Gulf Crisis. They represent annual operating budget expenditures at the SCRTD. When extrapolated to an estimated 1.0 billion miles for the national fleet, the survey results yield a total estimated fuel cost of:

o	Diesel	- $185 million
o	Methanol	- $536 million
o	CNG	- $240 million
0	Particulate Trap	- $228 million

These estimates will be refined as more experience is gained and may also be influenced by market conditions and public policy decisions.

DESCRIPTION OF FACILITY COSTS

Cost estimates for new fueling facilities vary widely depending on municipal codes, environmental regulations, and land acquisition requirements and prices. No national conclusions can be drawn at this point.

The cost increase to construct a new methanol fueling facility ranges between five and fifteen percent more than for the same size diesel fuel facility or **approximately $1.05 to $1.15 million per new methanol facility** at SCRTD. The cost differential covers additional vapor recovery piping and upgraded material required in portions of the methanol systems. Based on experience at the SCRTD, other facility changes relating to the use of methanol are minor.

The use of CNG fuel in transit buses requires a completely new fuel storage and dispensing system. The costs for **a new CNG fueling station will be in the range of $1.5 to $3.5 million** for a large fleet operation (up to 250 buses), depending on the fueling time requirements of the transit property (fast fuel is costly and slow fuel is relatively inexpensive).

The use of CNG fuel will not obviate the need to expand capital funds for other underground tank improvements. This is due to the fact that a number of other products are stored in underground tanks at transit operating facilities including motor oil, transmission oil, antifreeze, waste oil, and waste fuel. A portion of the estimated $12.0 million for fuel station improvements at SCRTD is for soil clean up that would be required even if the facilities were closed. This cost will obviously vary depending on code regulations, work environment and specific conditions encountered at each location.

OTHER POTENTIAL COSTS

Cost information related to vehicle life cycle cannot be made at this time due to relatively low mileage on test fleets. It is estimated that another 3-5 years operational experience is needed before data on engine overhaul requirements, etc., can be determined with accuracy. However, a comparison of the operating costs of diesel and methanol technologies can be attempted based on the SCRTD's on-the-street experience with both methanol and diesel.

The cost comparison shown in the table below is broken down into five categories: fuel, lubricant, tires, parts and labor. The table summarizes diesel costs per mile; methanol costs per mile; the cost increase per mile; and, its percentage increase over diesel costs.

DIESEL/METHANOL COST COMPARISON
(PER MILE COST)

	DIESEL	METHANOL	DIFFERENCE	PERCENT INCREASE
Fuel	0.222	0.480	0.258	116%
Lubricants	0.008	0.008	0.000	0%
Tires	0.055	0.055	0.000	0%
Replacement Parts	0.290	0.401	0.111	28%
Labor	0.350	0.410	0.060	17%
Total	0.925	1.354	0.429	46%

The SCRTD's data show that the per-mile cost of a methanol vehicle is 46 percent more than diesel. If the SCRTD were to convert to a 100 percent methanol fleet, our total budget would increase by 10 to 12 percent or $54 million, to meet the increased demands of running a methanol fleet.

If the SCRTD had to pass along the total amount of this increase to the public, fares would increase by 25 to 30 cents per ride using the premise that a five cent increase at the farebox will bring in an additional $10 million. The SCRTD's current base adult fare is $1.10. Therefore, the basic adult fare for a SCRTD methanol fleet is estimated at $1.40 per ride.

A fare increase of this magnitude would cause the SCRTD to lose 5 percent (approximately 21,000,000 passengers) of its total annual ridership of 412,000,000. These are riders who are able to choose an alternate form of transportation, placing the impact of the fare increase on the transit-dependent citizens of Los Angeles County.

Further, increased auto use by the 21 million former transit users at the average auto occupancy level of 1.396 passengers per vehicle would generate an additional 25 tons per day of emissions (9,125 tons annually) aggravating the specific problems we are trying to solve.

If operators are to meet the goals of the Clean Air Act as mandated by the Congress, then I would strongly urge that language be approved in the Reauthorization Act that would make additional federal funds available to offset the increased cost of meeting the new Clean Air standards. While we cannot quantify those additional costs for all transit operators, they will be significant. We know, too, from past experience that placing the additional burden on the farebox will do precisely what we don't want to do--drive the public back into their cars and, thereby, adding to the pollution problem the Clean Air Act is designed to solve.

FLEXIBILITY

We understand that the above costs exceed the available dollars. Several ideas have been advanced as to how we may stretch the existing federal dollars and provide a source of additional financing.

First and foremost, the concept of permitting local transportation entities to utilize federal highway funds for transit has great promise for the urban areas that are not yet in compliance with the emission mandates of the Clean Air Act. However, we feel that it would be imprudent to jeopardize existing funding levels. Flexibility, therefore, should begin after operators receive their Section Nine operating assistance and Section Three discretionary dollars. These funds are vitally needed to permit operators to meet the daily demands of providing service. Flexibility has the potential to provide the additional funds needed to meet the Clean Air and ADA Mandates.

OPERATING ASSISTANCE

The transit industry has had to struggle to meet ever increasing demands with a shrinking commitment in federal investment. In 1980, federal operating assistance made up 47.3% of the SCRTD's total operating assistance subsidy. Today only 15.6% of our operating assistance comes from the federal government. (Please see Attachment 2).

If Section Nine operating assistance were eliminated, the SCRTD would be forced to take one of two actions: Our first option would be to cut service by approximately 16 percent. This action would result in a loss of service to over 200,000 daily riders. Our second option would be to raise fares. A 5 cent fare increase will generate approximately $10 million. To make up a loss of $48 million in federal government funds would require a fare increase of 25 to 30 cents.

At the same time that we saw a steady decline in the federal governments investment, the voters of Los Angeles County have passed two sales tax increases over the past decade to pay for transit improvements. In the past year, Los Angeles County voters increased their investment in mass transit by over 70 percent with the passing of Proposition C, a half cent increase in the local sales tax dedicated to transit.

Reauthorization must contain a guaranteed continuation of operating assistance to urban areas of over 1 million people. These are the areas where the battles of congestion, clean air and accessibility will be hardest fought. Federal assistance is absolutely essential if we are to win this battle.

I appreciate your courtesy and the opportunity to testify, and would be glad to answer any questions that you may have at this time.

ATTACHMENT 1

Cost Impacts of the 1990 Clean Air Act on the U.S. Transit Industry

A survey by the Southern California Rapid Transit District (SCRTD)

RTD

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ESTIMATED COSTS OF THE 1990 CLEAN AIR ACT FOR ALTERNATIVE FUELS AND LOW EMISSIONS TECHNOLOGY

FLEET COSTS[1]:	$7.4 Billion (diesel)
	$9.3 Billion (methanol)
	$9.9 Billion (CNG)
	$8.0 Billion (particulate trap)
FUEL COSTS[2]:	$185 Million (diesel)
	$536 Million (methanol)
	$240 Million (CNG)
	$228 Million (particulate trap)
FACILITY COSTS[3]:	$12 Million (Fuel storage system)[4]
	$1.05 - $1.15 Million (methanol)[5]
	$1.5 - $3.5 Million (CNG)[6]

[1] *Total estimated cost for national fleet of 39,000 buses. Fleet replacement normally scheduled over 12 years; the Clean Air Act may accelerate replacement in some areas.*

[2] *Costs extrapolated to 1 billion miles for national fleet; data collected pre-Persian Gulf Crisis.*

[3] *Regional differences (municipal codes, environmental regulations and land acquisition requirements/prices) caused wide variances in survey results; therefore, no national conclusions were drawn for facility costs.*

[4] *Existing fuel storage systems at SCRTD will have to be either replaced or modified to meet new federal regulations for underground fuel storage tanks at a cost of $1.0 million per fuel storage system, or approximately $12.0 million for the SCRTD's 12 operating divisions.*

[5] *Added cost to construct a new methanol fueling facility at SCRTD.*

[6] *A new CNG fueling station for a large fleet operation (up to 250 buses).*

RTD

COST IMPACTS OF THE 1990 CLEAN AIR ACT
ON THE U.S. PUBLIC TRANSIT INDUSTRY

SURVEY METHODOLOGY

Eighteen of the nation's largest public transit properties responded to the SCRTD's survey. These properties represent a total of 20,645 owned buses.

The survey made inquiries into three alternate fuels/low emissions related cost categories: 1) fleet costs, 2) fuel costs, and 3) facility costs.

These estimates were then extrapolated to represent all Metropolitan Standard Areas (MSAs) with populations greater than 750,000 and a national fleet of 39,000 buses traveling an estimated 1.0 billion miles per year.

Vehicle durability and overall maintenance costs were not included since adequate data are not yet available for this purpose.

RTD

COST IMPACTS OF THE 1990 CLEAN AIR ACT
ON THE U.S. PUBLIC TRANSIT INDUSTRY

BACKGROUND

In the summer of 1990, the Southern California Rapid Transit District (SCRTD) conducted a survey of U.S. public transit properties to quantify estimated costs to convert from diesel buses to alternate fuel/low emissions buses.

The survey also evaluated the cost to purchase and operate an alternate fuel/low emission transit bus fleet. In addition to fuel and fleet costs, transit properties were asked to estimate the costs of constructing or upgrading alternate fuel fueling facilities. Code interpretations, land costs, and lack of specific design guidance resulted in a wide range of cost estimates; therefore, survey findings for this category are generalized.

The cost estimates identified in this survey are based on limited testing of new, R&D technologies. There is no mature or completely tested heavy-duty clean air transit bus technology currently available. With the exception of the SCRTD, which is operating various buses with all current technologies and has built methanol and compressed natural gas (CNG) refueling facilities, the survey results represent the best available cost estimates by various transit properties to convert their fleets based on their individual situation and local market availability of methanol, CNG and low sulfur diesel fuel. As the transit industry's experience with the new technologies increases, normal market pressure for lower costs and increased durability are anticipated.

This survey provides policymakers with the best available fleet data and cost estimates (as of summer 1990) to evaluate the impacts of the Clean Air Act on the U.S. public transit industry. The survey's findings demonstrate the urgent need for Congress to authorize and appropriate funds to comply with the federal mandates of the Act.

RTD

COST IMPACTS OF THE 1990 CLEAN AIR ACT ON THE U.S. PUBLIC TRANSIT INDUSTRY

DESCRIPTION OF FLEET COSTS

Transit fleet costs are usually associated with a 12-year bus life and replacement cycle. This means that the typical annual cash flow to replace a transit bus fleet could be the cost to replace 1/12 of the owned fleet each year. Under the clean air regulations that SCRTD operates under, these costs would be accelerated as we are obligated to achieve a goal of 100 percent conversion to low emission buses by the year 2000. As such, it will be necessary to increase bus capital spending to replace a given fleet in less than 12 years here at SCRTD. Local laws and conditions will affect these schedules on a national basis.

Based on the results of the survey, the estimated cost to replace a bus for each technology (1990 prices) would be: $190,000 for diesel, $238,000 for methanol, $254,000 for CNG and $204,000 for particulate traps. The total estimated costs for a national fleet of 39,000 buses would be $7.4 billion for diesel, $9.3 billion for methanol, $9.9 billion for CNG and $8.0 billion for particulate traps.

Based on SCRTD's experience with such technology, the estimated cost range for each alternate fuel bus is slightly lower than the survey except for particulate traps. Therefore, the following ranges of prices are estimated: a) methanol - the range is between $215,000 and $230,000 per bus, b) CNG - the range is between $230,000 and $240,000 per bus, and c) particulate traps - the range is between $200,000 and $211,000 per bus.

RTD

COST IMPACTS OF THE 1990 CLEAN AIR ACT
ON THE U.S. PUBLIC TRANSIT INDUSTRY

DESCRIPTION OF FUEL COSTS

Fuel cost data in this report were collected before the Persian Gulf Crisis. They represent annual operating budget expenditures at the SCRTD. When extrapolated to an estimated 1.0 billion miles for the national fleet, the survey results yield a total estimated fuel cost of $185 million for diesel, $536 million for methanol, $240 million for CNG and $228 million for particulate traps. These estimates will be refined as more experience is gained and may also be influenced by market conditions and public policy decisions.

RTD

COST IMPACTS OF THE 1990 CLEAN AIR ACT
ON THE U.S. PUBLIC TRANSIT INDUSTRY

DESCRIPTION OF FACILITY COSTS

The survey estimates for new fueling facilities vary widely depending on municipal codes, environmental regulations and land acquisition requirements and prices. No national conclusions were drawn due to the variance of the survey results and the regional nature of the situation. However, new federal regulations for underground fuel storage tanks will require significant expenditure of capital funds over the next eight years for all transit properties.

Existing fuel storage systems at SCRTD will have to be either replaced or modified to meet these new fuel tank regulations. These costs are estimated to be $1.0 million per system or approximately $12.0 million for the SCRTD's 12 operating divisions. It should be noted that when the fuel storage and dispensing systems have been upgraded to be in full compliance with the new regulations, they will be essentially compatible with methanol with minor modifications.

The cost increment to construct a new methanol fueling facility ranges between five and fifteen percent added cost over the same size diesel fuel facility or approximately $1.05 to $1.15 million per new methanol facility at SCRTD. The cost differential covers additional vapor recovery piping and upgraded material required in portions of the methanol systems. Based on experience at the SCRTD to date, other required facility changes relating to the use of methanol are minor.

The use of CNG fuel in transit buses requires a completely new fuel storage and dispensing system. The costs for a new CNG fueling station for a large fleet operation (up to 250 buses) will be in the range of $1.5 to $3.5 million, depending on the fueling time requirements of the transit property (fast fuel is costly and slow fuel is relatively inexpensive).

Although the changes to the maintenance facility areas at SCRTD test divisions have been minor relative to CNG fueling, it is possible that regulatory agencies may require significant changes and improvement to ventilation and fire safety systems, a should a large number of buses be converted to CNG.

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DESCRIPTION OF FACILITY COSTS ....continued

This will be of major significance in colder climates where refueling and maintenance activities are typically performed indoors. These expenditures would be in areas such as explosion proof fixtures and special ventilation systems.

The use of CNG fuel will not obviate the need to expand capital funds for other underground tank improvements. This is due to the fact that a number of other products are stored in underground tanks at transit operating facilities including motor oil, transmission oil, antifreeze, waste oil, and waste fuel. A portion of the estimated $12.0 million for fuel station improvements at SCRTD is for soil clean up that would be required even if the facilities were closed. This cost will obviously vary depending on code regulations, work environment and specific conditions encountered at each location.

RTD

COST IMPACTS OF THE 1990 CLEAN AIR ACT
ON THE U.S. PUBLIC TRANSIT INDUSTRY

OTHER POTENTIAL COSTS

It was noted earlier that the cost figures in this study do not reflect durability of equipment, "weight penalties" or losses in passenger capacity associated with operating transit buses on alternate fuels.

Life cycle cost durability information related to vehicle life cannot be made at this time due to relatively [illegible] mileage on test fleets. It is estimated that another 3-5 years operational experience is needed before data on engine overhaul requirements, etc., can be determined with accuracy. As more experience is gained, engine durability forecasts will be attempted based on tear down measurements, oil analysis results and detailed investigations of engine failures.

A 1990-technology methanol bus weighs approximately 1600 lbs. more than a comparably equipped standard diesel bus while a CNG bus weighs approximately 2,800 lbs. more than the standard diesel bus. These buses have the same range as a diesel counterpart. However, the impact of added weight of the various alternate fuel transit bus technologies is being assessed. It is known that this weight increase adversely affects brake service, tire and transmission life and reduces passenger carrying capacities due to axle load limitations. Federal and state laws limit the total operating weight of a vehicle; therefore, if the weight of fuel increases, the passenger capacity must be reduced by a like weight value. A CNG fleet could require the purchase of up to 10 percent more vehicles in order to achieve passenger carrying capacity equal to a diesel fleet.

The vehicle weight increase associated with CNG will stress the importance of testing liquified natural gas (LNG) technology. This option is being explored by The Metropolitan Transit Authority of Harris County in Houston, Texas. LNG refueling rates and bus weight are attractive as compared to CNG so that a cost comparison between the two systems will eventually be necessary since achieving a fast fuel CNG capability is very expensive as well as the previously mentioned operational problems associated with weight.

RTD

OTHER POTENTIAL COSTS ....continued

During the final edits of this report, the Clean Air Act of 1990 was passed. The 1995 issue of having all rebuilt engines brought up to the new emission standards was not addressed, but will add significant costs to implementation of the act by the transit industry. Current experiments with retrofit technology - methanol/Avocet, CNG and particulate traps are just beginning, with cost to retrofit vehicles in the $20,000 to $40,000 per bus range. No durability or life cycle data yet exists.

RTD

ATTACHMENT 1

AGENCY NAME	CITY, STATE
Metropolitan Atlanta Rapid Transit Authority	Atlanta, GA
San Mateo County Transit District	Burlingame, CA
Chicago Transit Authority	Chicago, IL
Greater Cleveland Regional Transit Authority	Cleveland, OH
Dallas Area Rapid Transit	Dallas, TX
Orange County Transit District	Garden Grove, CA
Southern California Rapid Transit District	Los Angeles, CA
Milwaukee County Transit System	Milwaukee, WI
New York City Transit Authority	New York, NY
New Jersey Transit	Newark, NJ
Alameda-Contra Costa Transit District	Oakland, CA
Southeastern Pennsylvania Transportation Authority	Philadelphia, PA
Sacramento Regional Transit District	Sacramento, CA
Utah Transit Authority	Salt Lake City, UT
Santa Clara County Transportation Agency	Santa Clara, CA
Municipality of Metropolitan Seattle	Seattle, WA
BI-State Development Agency	St. Louis, MO
Washington Metropolitan Area Transit Authority	Washington, DC

ATTACHMENT 2

ESTIMATED COST ANALYSIS FOR FLEET PURCHASE
(BASED ON 1990 PRICES)

	FLEET SIZE	DIESEL BUS PURCHASE	REPLACEMENT DIESEL FLEET PURCHASE	METHANOL BUS PURCHASE	METHANOL FLEET PURCHASE	MEOH % INC	CNG BUS PURCHASE	CNG FLEET PURCHASE	CNG % INC	PART TRAP BUS PURCHASE	PART TRAP FLEET PURCHASE	TRAP % INC
WMATA	1704	$200,000	$340,800,000	$230,000	$391,920,000	15%	$290,000	$494,160,000	45%	$215,000	$366,360,000	8%
Milwaukee	535	$200,000	$107,000,000	$250,000	$133,750,000	25%	$250,000	$133,750,000	25%	$225,000	$120,375,000	13%
SEPTA	1441	$170,000	$244,970,000	$204,000	$293,964,000	20%	$212,500	$306,212,500	25%	$175,000	$252,175,000	3%
Bi-State	655	$200,000	$131,000,000	$240,000	$157,200,000	20%	$275,000	$180,125,000	38%	$240,000	$157,200,000	20%
Chicago	2172	$202,000	$438,744,000	$226,000	$490,872,000	12%	$262,000	$569,064,000	30%	$216,000	$469,152,000	7%
AC Transit	862	$179,000	$154,298,000	$230,000	$198,260,000	28%	$245,000	$211,190,000	37%	$205,000	$176,710,000	15%
Cleveland	741	$225,000	$166,725,000	$270,000	$200,070,000	20%	$250,000	$185,250,000	11%	$230,000	$170,430,000	2%
Utah TA	440	$180,000	$79,200,000	$230,000	$101,200,000	28%	$257,000	$113,080,000	43%	$190,000	$83,600,000	6%
Santa Clara	515	$210,000	$108,150,000	$290,000	$149,350,000	38%	$290,000	$149,350,000	38%	$250,000	$128,750,000	19%
Seattle	1060	$190,000	$201,400,000	$230,000	$243,800,000	21%	$245,000	$259,700,000	29%	$205,000	$217,300,000	8%
Atlanta RTA	683	$166,000	$113,378,000	$226,000	$154,358,000	36%	$241,000	$164,603,000	45%	$191,000	$130,453,000	15%
NYCTA	3730	$200,000	$746,000,000	$250,000	$932,500,000	25%	$250,000	$932,500,000	25%	$200,000	$746,000,000	0%
NJT	2000	$156,174	$312,348,000	$255,000	$510,000,000	63%	$266,174	$532,348,000	70%	$170,174	$340,348,000	9%
Dallas	650	$190,000	$123,500,000	$230,000	$149,500,000	21%	$250,000	$162,500,000	32%	$230,000	$149,500,000	21%
Samtrans	257	$180,000	$46,260,000	$210,000	$53,970,000	17%	$210,000	$53,970,000	17%	$190,000	$48,830,000	6%
Sacrame	200	$200,000	$40,000,000	$240,000	$48,000,000	20%	$270,000	$54,000,000	35%	$220,000	$44,000,000	10%
OCTD	500	$200,000	$100,000,000	$240,000	$120,000,000	20%	$250,000	$125,000,000	25%	$210,000	$105,000,000	5%
SCRTD *	2500	$190,000	$475,000,000	$230,000	$575,000,000	21%	$245,000	$612,500,000	29%	$205,000	$512,500,000	8%
TOTAL	20645		$3,928,773,000		$4,903,714,000	25%		$5,239,302,500	33%		$4,218,683,000	7%
COST PER BUS			$190,301		$237,526			$253,781			$204,344	
COST OVER DIESEL PER BUS			$0		$47,224			$63,479			$14,043	
NATIONAL FLEET (39,000 BUSES)			$7,421,755,728		$9,263,494,500			$9,897,447,293			$7,969,418,116	
COST OVER DIESEL NATIONAL FLEET			$0		$1,841,738,871			$2,475,691,475			$547,662,388	

* actual costs

RTD

ESTIMATED COST ANALYSIS FOR FUEL (1990)

	FLEET MILEAGE	DIESEL FUEL $/MI	DIESEL TOTAL FUEL COSTS	METH FUEL $/MI	METHANOL TOTAL FUEL COSTS	METH % INC	CNG FUEL $/MI	CNG TOTAL FUEL COSTS	CNG % INC	TRAP FUEL $/MI	PART TRAP TOTAL FUEL COSTS	TRAP % INC
WMATA	52,830,694	$0.180	$9,509,525	$1.210	$63,925,140	572%	$0.510	$26,943,654	183%	$0.230	$12,151,060	28%
Milwaukee	20,134,612	$0.170	$3,422,884	$0.640	$12,886,152	276%	$0.140	$2,818,846	-18%	$0.180	$3,624,230	6%
SEPTA	41,000,000	$0.194	$7,954,000	$0.581	$23,821,000	199%	$0.219	$8,979,000	13%	$0.230	$9,430,000	19%
Bi-State	24,000,000	$0.127	$3,048,000	$0.280	$6,720,000	120%	$0.146	$3,504,000	15%	$0.139	$3,336,000	9%
Chicago	75,000,000	$0.180	$13,500,000	$0.280	$21,000,000	56%	$0.103	$7,725,000	-43%	$0.220	$16,500,000	22%
AC Transit	26,000,000	$0.193	$5,018,000	$0.879	$22,854,000	355%	$0.204	$5,304,000	6%	$0.403	$10,478,000	109%
Cleveland	24,744,160	$0.190	$4,701,390	$2.190	$54,189,710	1053%	$0.330	$8,165,573	74%	$0.290	$7,175,806	53%
Utah TA	14,957,000	$0.136	$2,034,152	$0.284	$4,247,788	109%	$0.236	$3,529,852	74%	$0.174	$2,602,518	28%
Santa Clara	23,700,000	$0.190	$4,503,000	$0.700	$16,590,000	268%	$0.270	$6,399,000	42%	$0.240	$5,688,000	26%
Seattle	36,000,000	$0.134	$4,824,000	$0.441	$15,876,000	229%	$0.195	$7,020,000	46%	$0.169	$6,084,000	26%
Atlanta RTA	28,702,099	$0.186	$5,338,590	$0.314	$9,012,459	69%	$0.223	$6,400,568	20%	$0.256	$7,347,737	38%
NYCTA	104,100,000	$0.249	$25,920,900	$0.587	$61,106,700	136%	$0.260	$27,066,000	4%	$0.274	$28,523,400	10%
NJT	73,953,464	$0.140	$10,353,485	$0.280	$20,706,970	100%	$0.230	$17,009,297	64%	$0.180	$13,311,624	29%
Dallas	21,400,000	$0.230	$4,922,000	$0.630	$13,482,000	174%	$0.160	$3,424,000	-30%	$0.250	$5,350,000	9%
Samtrans	7,372,747	$0.150	$1,105,912	$0.900	$6,635,472	500%	$0.290	$2,138,097	93%	$0.200	$1,474,549	33%
Sacrame	8,611,000	$0.220	$1,894,420	$0.320	$2,755,520	45%	$0.190	$1,636,090	-14%	$0.280	$2,411,080	27%
OCTD	21,000,000	$0.250	$5,250,000	$0.299	$6,279,000	20%	$0.286	$6,006,000	14%	$0.275	$5,775,000	10%
SCRTD *	105,000,000	$0.170	$17,850,000	$0.370	$38,850,000	118%	$0.250	$26,250,000	47%	$0.190	$19,950,000	12%
TOTALS	708,505,776		$131,150,259		$400,937,911	347%		$170,318,976	30%		$161,213,804	23%
COST PER MILE			$0.1851		$0.5659			$0.2404			$0.2275	
COST OVER DIESEL PER MILE			$0.0000		$0.3808			$0.0553			$0.0424	
NATIONAL FLEET (est. 1.0 Billion Miles)			$185,108,262		$565,892,227			$240,391,796			$227,539,436	
COST OVER DIESEL NATIONAL FLEET			$0		$380,783,964			$55,283,534			$42,431,193	

* actual costs - Fuel cost based on July 1990 pre-Middle East crisis costs. LA (OCT 90) price is now $1.12/gal for diesel #2.
Methanol is currently @ $0.51/gal, therefore methanol cost per mile is now close to diesel cost per mile.

RTD

ESTIMATED COST ANALYSIS FOR FUELING FACILITIES (1990)

	# FUEL FAC.	NEW DIESEL FACILITY PURCHASE	DIESEL TOTAL PURCHASE	METHANOL FACILITY PURCHASE	METHANOL TOTAL PURCHASE	METH % INC	CNG FACILITY PURCHASE	CNG TOTAL PURCHASE	CNG % INC	PART TRAP FACILITY PURCHASE	PART TRAP TOTAL PURCHASE
WMATA	10	$10,000,000	$100,000,000	$10,000,000	$100,000,000	0%	$6,500,000	$65,000,000	-35%	$10,000,000	$100,000,000
Milwaukee	3										
SEPTA	9	$4,750,000	$42,750,000	$5,400,000	$48,600,000	14%	$7,550,000	$67,950,000	59%	$4,750,000	$42,750,000
Bi-State	3	$250,000	$750,000	$2,000,000	$6,000,000	700%	$5,000,000	$15,000,000	1900%	$250,000	$750,000
Chicago	9	$2,500,000	$22,500,000	$9,637,500	$86,737,500	286%	$6,425,000	$57,825,000	157%	$2,500,000	$22,500,000
AC Transit	5	$750,000	$3,750,000	$750,000	$3,750,000	0%	$750,000	$3,750,000	0%	$750,000	$3,750,000
Cleveland	5	$200,000	$1,000,000	$230,000	$1,150,000	15%	$2,500,000	$12,500,000	1150%	$200,000	$1,000,000
Utah TA	4										
Santa Clara	4	$1,500,000	$6,000,000	$2,400,000	$9,600,000	60%	$4,600,000	$18,400,000	207%	$1,500,000	$6,000,000
Seattle	6	$750,000	$4,500,000	$865,000	$5,190,000	15%	$3,250,000	$19,500,000	333%	$750,000	$4,500,000
Atlanta RTA	3	$150,000	$450,000	$160,000	$480,000	7%	$100,000	$300,000	-33%	$150,000	$450,000
NYCTA	19	$600,000	$11,400,000	$18,515,738	$351,799,022	2986%	$2,500,000	$47,500,000	317%	$600,000	$11,400,000
NJT	18	$750,000	$13,500,000	$2,500,000	$45,000,000	233%	$4,650,000	$83,700,000	520%	$750,000	$13,500,000
Dallas	4	$250,000	$1,000,000	$400,000	$1,600,000	60%	$1,000,000	$4,000,000	300%	$250,000	$1,000,000
Samtrans	2	$1,200,000	$2,400,000	$2,500,000	$5,000,000	108%	$2,500,000	$5,000,000	108%	$1,200,000	$2,400,000
Sacramento	1	$2,300,000	$2,300,000	$3,900,000	$3,900,000	70%	$7,500,000	$7,500,000	226%	$23,000,000	$23,000,000
OCTD	3	$500,000	$1,500,000	$750,000	$2,250,000	50%	$4,000,000	$12,000,000	700%	$500,000	$1,500,000
SCRTD *	14	$800,000	$11,200,000	$920,000	$12,880,000	15%	$3,300,000	$46,200,000	313%	$800,000	$11,200,000
TOTALS	115		$225,000,000		$683,936,522	204%		$466,125,000	107%		$245,700,000
COST PER FACILITY			$1,956,522		$5,947,274			$4,053,261			$2,136,522

* actual costs

ATTACHMENT 3

ALTERNATE FUELS/LOW EMISSIONS TECHNOLOGY COST ANALYSIS WORK SHEET

SOUTHERN CALIFORNIA
RAPID TRANSIT DISTRICT

ALTERNATE FUELS SECTION

JULY 1990

RTD

COMPANY:--------------------

NAME:-----------------------

TITLE:-----------------------

PHONE:----------------------

ALTERNATE FUELS/LOW EMISSIONS TECHNOLOGY
COST ANALYSIS WORK SHEET

Introduction

The attached work sheet is designed to assist in deriving the range of cost incurred by purchasing and operating buses that utilize clean fuels, including; "clean diesel" (particulate trap technology), methanol and compressed natural gas. The work sheet also addresses the costs to convert existing capital stock to the above clean fuels.

The work sheet provides a methodology and includes certain cost factors, based on the Southern California Rapid Transit District's experience. However, much of the actual cost information will be specific to the individual operator's situation and is therefore left for each operator to address. These variations include regional differences in fuel costs, cold weather fueling requirements and availability of land for fueling and tank storage.

The total cost for an operator to comply with the provisions of the Clean Air Act will depend upon the operator's fleet replacement needs, as well as the final provisions of the legislation concerning the phase-in schedule and requirements concerning conversion of the existing fleet. The work sheet package includes tables to derive a very rough total cost range. These cost estimates will require fine tuning by the operator once the final provisions of the Clean Air Act are known.

Instructions

1. Steps 1 through 20 (pages 1-5) of the Alternative Fuels/Low Emissions Technologies Work Sheet are self explanatory.

2. Table A, "Clean Emissions Impact on Transit Buses" summarizes the results of the calculations in Steps 1 through 20 of the work sheet. The numbers and letters in parentheses reference the location within the work sheet where the information is derived.

3. Tables B-E are rough estimates of the total cost of replacing and operating a fleet utilizing each respective fuel type; Table B is baseline diesel, Table C is diesel with a particulate trap, Table D is compressed natural gas and Table E is Methanol.

4. Complete the title sheet, including a phone number for a contact person.

Questions

If you have any questions regarding the questionnaire, please contact Vince Pellegrin, at (213) 972-5844, or David Meyers, at (213) 972-5866, in SCRTD's Alternative Fuels Section.

ALTERNATE FUELS/LOW EMISSIONS TECHNOLOGIES
WORK SHEET

1. Please estimate the cost to build an average size fueling facility for your fleet operating on each of the following fuels.

   a. Diesel ____________________

   b. Methanol ____________________

   c. Compressed Natural Gas (CNG) ____________________

   d. Propane ____________________

   e. Other ____________________

2. How many bus fueling facilities do you operate? ____________

3. What is the underground storage capacity (gallons) of your average diesel fueling facility?

   ____

4. What is your average diesel bus mileage between refuelings?

   ____

5. Please estimate the initial purchase price for buses at your property using each of the following technologies.

   a. Diesel ____________________

   b. Diesel w/Particulate Trap ____________________

   c. Methanol ____________________

   d. Compressed Natural Gas (CNG) ____________________

   e. Propane ____________________

   f. Methanol w/Ignition Improver ____________________

   g. Other ____________________

FUELS/LOW EMISSIONS TECHNOLOGIES
WORK SHEET

6. Please estimate your total costs to convert an existing diesel bus to each of the following technologies. Include costs for both material and labor.

a. Diesel w/Particulate Trap ______

b. Methanol ______

c. Compressed Natural Gas (CNG) ______

d. Propane ______

e. Methanol w/Ignition Improver ______

f. Other ______

7. Please estimate the price each of the following fuels would cost you per gallon [per therm (100,000 Btu) for CNG). Include the cost of delivery.

a. Diesel ______

b. Low Sulfur Diesel (<500 ppm) ______

c. Methanol ______

d. Compressed Natural Gas (CNG) ______

e. Propane ______

f. Other ______

8. Please estimate the impacts on the overall maintenance costs to your bus fleet (Decrease, Same, Slight Increase, Large Increase) operating each of the following technologies compared to the maintenance of your existing diesel fleet.

a. Diesel w/Particulate Trap ______

b. Methanol ______

c. Methanol w/Ignition Improver ______

d. Compressed Natural Gas (CNG) ______

e. Propane ______

f. Other ______

FUELS/LOW EMISSIONS TECHNOLOGIES
WORK SHEET

9. Please estimate the cost impacts on the overall durability of your bus fleet (Increase, Same, Slight Decrease, Large Decrease) operating on each of the following technologies compared to the durability of your existing fleet.

a. Diesel w/Particulate Trap ____________________

b. Methanol ____________________

c. Methanol w/Ignition Improver ____________________

d. Compressed Natural Gas (CNG) ____________________

e. Propane ____________________

f. Other ____________________

10. How much do you spend on tires and brakes per year? __________

11. How many buses are in your fleet (Include spares)? __________

12. How many total miles does your fleet accumulate per year?

____

13. What is your fleet average diesel bus fuel economy (mpg)?

____

14. What is the on-board diesel storage capacity (gallons) of your bus?

____

15. What is the tare weight of your diesel bus (Include full load of fuel)?

____

ALTERNATE FUELS/LOW EMISSIONS TECHNOLOGIES
WORK SHEET

16. How many passengers does one of your diesel buses carry? (Include standees.)

____

17. Calculate bus weights for each of the following technologies (numbers in parentheses denote references within the work sheet to be used in the blanks).

a. Diesel = ________lb.
(15)

b. Particulate Trap = ________lb. + 350 lb. = _______lb.
(15)

c. CNG = ________lb. + (18 X ________)lb. = ________lb.
(15) (14)

d. Methanol = ________lb.+ (10.7 X_______)lb.= _______lb.
(15) (14)

18. Calculate bus passenger loading for each of the following technologies using the appropriate numbers shown.

a. Diesel = ________ passengers
(16)

b. Part. Trap = ______-[(_______-_______)/150] = ______
(16) (17b) (17a)

c. CNG = ______-[(_______-_______)/150] = ______
(16) (17c) (17a)

d. Methanol = ______-[(_______-_______)/150] = ______
(16) (17d) (17a)

19. Calculate brake/tire wear increase over diesel bus wear rate for each of the following technologies using the appropriate numbers shown. (Multiply results by 100).

a. Diesel = Base

b. Part. Trap = (_______-_______)/______=______% increase
(17b) (17a) (17a)

c. CNG = (_______-_______)/______=______% increase
(17c) (17a) (17a)

ALTERNATE FUELS/LOW EMISSIONS TECHNOLOGIES
WORK SHEET

19. (Continued)

d. Methanol = (_______-_______)/______=______% increase
(17d) (17a) (17a)

20. Calculate fuel consumption rates for each of the following technologies using the appropriate numbers shown.

a. Diesel = ______ / ______ = _______ $ per mile
(7a) (13)

b. Low S Diesel = ______ / ______ = ______ $ per mile
(7b) (13)

c. Part. Trap = _______ X 1.1 = ______ $ per mile
(20b)

d. Methanol = ______ /(______/2.5) = _____ $ per mile
(7c) (13)

e. CNG = ______X 1.3/(______) +.03 = _____ $ per mile
(7d) (13)

f. Methanol w/Ignit. Imp.=(.97 X ______+.49)/(______/2.5)
(7c) (13)

= ______ $ per mile

TABLE A
CLEAN EMISSIONS IMPACT ON TRANSIT BUSES

					CONVERSIONS		
	DIESEL	CLEAN DIESEL W/PART. TRAP	CNG	METHANOL	METH/ AVOCET	CNG	PART TRAP
FUEL FACILITIES	----- (1a)	----- (1a)	----- (1c)	----- (1b)	----- (1b)	----- (1c)	----- (1a)
PASS. LOADING	----- (18a)	----- (18b)	----- (18c)	----- (18d)	----- (18d)	----- (18c)	----- (18b)
FUEL COSTS	----- (20a)	----- (20c)	----- (20e)	----- (20d)	----- (20f)	----- (20e)	----- (20c)
MAINTENANCE	Base -----	----- (8a)	----- (8d)	----- (8b)	----- (8c)	----- (8d)	----- (8a)
BRAKE/TIRES	----- (19a)	----- (19b)	----- (19c)	----- (19d)	----- (19d)	----- (19c)	----- (19b)
INITIAL COST	----- (5a)	----- (5b)	----- (5d)	----- (5c)	----- (6e)	----- (6c)	----- (6a)
DURABILITY	Base -----	----- (9a)	----- (9d)	----- (9b)	----- (9c)	----- (9d)	----- (9a)
BUS WEIGHT	----- (17a)	----- (17b)	----- (17c)	----- (17d)	----- (17d)	----- (17c)	----- (17b)

TABLE B

PROJECTED COSTS WORK SHEET

BASELINE DIESEL

CAPITAL COSTS

Vehicle = ______ X ______ = ______
(5a) (11)

Facility = ______ X ______ = ______
(1a) (2)

Total = ______

ANNUAL OPERATING COSTS

Fuel = ______ X ______ = ______
(20a) (12)

Brakes/Tires = ______ = ______
(10)

Total = ______

TABLE C

PROJECTED COSTS WORK SHEET

O. E. M. PARTICULATE TRAP

CAPITAL COSTS

Vehicle = ______ X ______ = ______
(5b) (11)

Facility = ______ X ______ = ______
(1a) (2)

Total = ______

ANNUAL OPERATING COSTS

Fuel = ______ X ______ = ______
(20c) (12)

Brakes/Tires = ______ X (1 + ______) = ______
(10) (19b)

Total = ______

+ ______ Maintenance
(8a)

TABLE D

PROJECTED COSTS WORK SHEET

O. E. M. COMPRESSED NATURAL GAS (CNG)

CAPITAL COSTS

Vehicle = ______ (5d) X ______ (11) = ______

Facility = ______ (1c) X ______ (2) = ______

Total = ______

ANNUAL OPERATING COSTS

Fuel = ______ (20e) X ______ (12) = ______

Brakes/Tires = ______ (10) X (1 + ______ (19c)) = ______

Total = ______

+ ______ (8d) Maintenance

TABLE E

PROJECTED COSTS WORK SHEET

O. E. M. METHANOL

CAPITAL COSTS

Vehicle = _______ X _______ = _______
(5c) (11)

Facility = _______ X _______ = _______
(1b) (2)

Total = _______

ANNUAL OPERATING COSTS

Fuel = _______ X _______ = _______
(20d) (12)

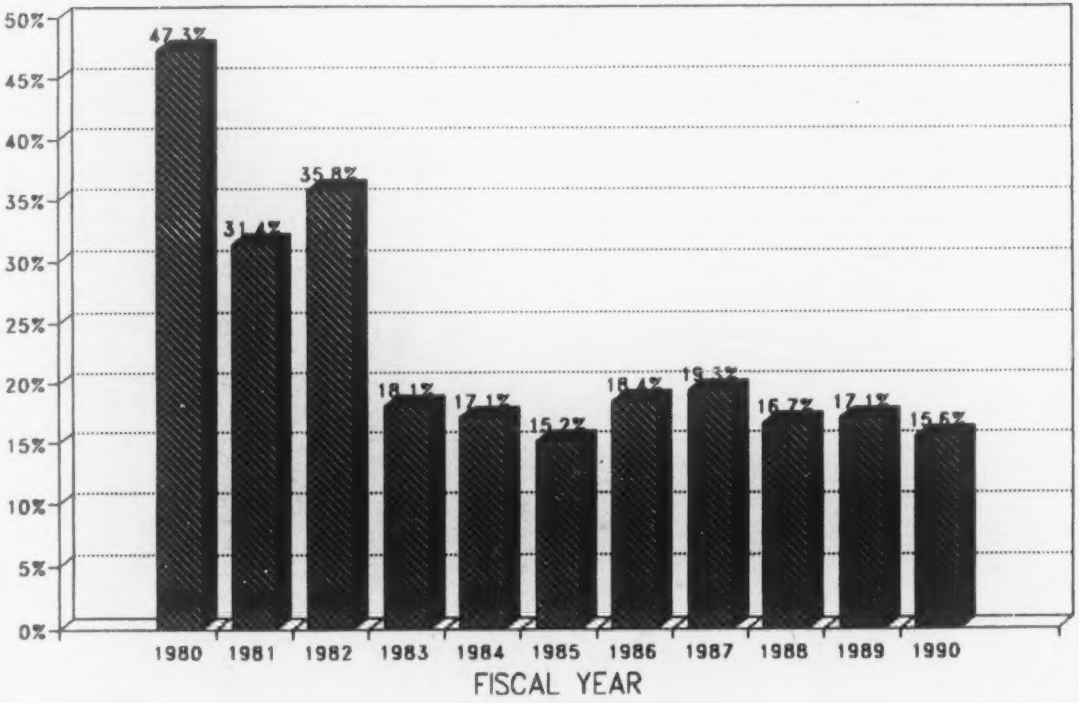
Brakes/Tires = _______ X (1 + _______) = _______
(10) (19d)

Total = _______

+ _______ Maintenance
(8b)

ATTACHMENT 2

SO. CALIFORNIA RAPID TRANSIT DISTRICT
FED OP ASSIST AS A % OF TOTAL OP ASSIST



Senator CRANSTON. Thank you, very, very much.

I would like to pose just a few questions—oh, I am sorry.

I thought Mr. Garcia had testified.

It is your turn.

STATEMENT OF CHARLES GARCIA, VICE PRESIDENT, COACH ENGINE SALES, DETROIT DIESEL CORP., DETROIT, MI

Mr. GARCIA. Thank you, Mr. Chairman, and members of the committee, for the opportunity to testify before you.

Detroit Diesel Corp. is a manufacturer of heavy-duty diesel engines.

Detroit Diesel designs, manufactures, and sells 50,000 engines per year.

Our engines are used in heavy-duty trucks where last year our market share was over 12 percent.

Our engines are also used in various construction, industrial, military, marine, and generator set applications.

DDC engines presently operate in over 95 percent of the buses and coaches in North America.

Our engines are the engines of choice for both transit buses and over-the-road coaches.

Engines become increasingly important to the future of the transportation industry due to the changes required by the environmental and the energy concerns.

Legislation such as the Clean Air Act Amendments of 1990 and future legislation which will be required as part of the national energy strategy definitely affects the future of our industry.

Detroit Diesel Corp. has been responding to both these environmental and energy concerns for the last 20 years.

Following the two energy crises the United States experienced in the 1970's, and the requirements placed on the engine manufacturing industry through smoke and emission standards which began in the early 1970's.

I have been asked to address the effect of the new provisions of the Clean Air Act Amendments of 1990 on transportation planning and project selection and the anticipated costs of the urban bus provisions, and the development and adoption of alternative-fueled engines under the reauthorization of the Urban Mass Transportation Act.

Since the early 1980's, Detroit Diesel has been developing alternative-fueled engines.

Today, Detroit Diesel alternate-fueled engines using ethanol, methanol, and natural gas are powering various demonstration fleets for a total of 120 alternate-fueled vehicles.

These vehicles operate in a variety of applications: urban buses, schoolbuses, heavy-duty over-the-road trucks, generator sets, and specialty trucks such as refuse haulers, yard handlers, and utility vehicles.

Our experience to date with alternative fuel demonstration transit bus engines lends valuable information to the reauthorization of the Urban Mass Transportation Act.

For perspective, a study was recently completed for the California Transit Authority.

Prices for a variety of alternative-fueled buses were compiled and compared against a new diesel-fueled bus.

The capital cost of a bus powered with a Detroit Diesel 6V–92 engine is $210,000.

The same bus with a 6V–92 particulate trap-equipped engine was $230,000.

A methanol 6V–92-equipped bus was $240,000.

A compressed natural gas-equipped bus was $255,000.

These are only the costs of the bus.

Add to these the increased costs of fueling facilities—a CNG compressor is approximately $300,000; higher maintenance costs; reduced passenger capacity due to the increased weight of the CNG tanks, a loss of 8 to 10 passengers; and the reduced energy efficiency of alternative fuels.

The price differential between today's diesel-powered bus and the various alternative-fueled buses reflects increased development and engineering costs: The costs of new tooling; small production quantities due to low market demand; and unknown warranty costs.

Due to the additional costs of alternative fuels, increased funding will be required.

DDC's experience with methanol, ethanol, and natural gas transit bus engines corroborates the concerns you have heard from the transit industry.

Alternative fuel, the fueling mechanism, the engine, the vehicle, as well as increased service and parts costs for both vehicle and engine—in short, the entire infrastructure—at this point in time requires a significantly higher investment on the part of transit properties that are being asked to phase in the alternative-fueled vehicles.

Going back in our developmental history, following the Nation's second energy crisis in 1979, we began work on the conversion of our diesel engine, redesigning it to burn 100-percent methanol fuel.

This required a significant amount of research to learn how to burn a high-octane/low cetane fuel.

We accomplished that, and our first demonstration bus went on the road in 1983.

Since then, we have built a methanol demonstration fleet, a transit bus fleet, of over 58 buses in operation at 8 different transit properties in the United States.

Within the next few months, Detroit Diesel will EPA certify its 6V–92 methanol transit bus engine and will go into full production.

Today, following 11 years of development work and a $10 million investment, we are ready with a product for the marketplace which is currently limited to just a few hundred units.

We are committed to providing alternative-fueled engines, and more fuel-efficient engines, to the marketplace as we go forward.

We are continuing to develop engines that will burn ethanol, compressed natural gas, liquified natural gas, and other alternative fuels that may be required by the marketplace due to local, State, or Federal emissions regulations.

It is becoming increasingly difficult to continue to do research at the level required for a variety of fuels of interest to the marketplace.

Limited research funds do exist for conceptual research projects.

DDC recently received a contract from the Department of Energy to investigate coal-water slurry fuel that could be potentially burned in a diesel engine.

However, the major commitment of Federal funds has been in the area of funding specific demonstration programs after the technology has been developed through private funding.

As a result, industry has had to take the responsibility of doing research and development and assuming all risks associated with entering an unknown market.

We ask that a significant financial support for research and development to enhance and continue development of alternative-fueled engines be provided.

Until alternative-fueled engines are accepted in the marketplace, Detroit Diesel feels that the research should continue on clean diesel fuel and the diesel engine.

Realizing that there has been a great deal of diesel-bashing, I would like to point out that the diesel engine continues to be the most fuel-efficient powerplant available for all modes of transportation.

Diesel engines not only are the most fuel efficient, but they also contribute the least to carbon monoxide emissions and have the least effect on the impact of CO_2 on global warming.

We also ask that reauthorization of the Urban Mass Transportation Act include a dedicated amount of funds for research for clean diesel engines.

Powerplants in the future will require the capability of operating on diesel fuels, as well as alternative fuels, and after treatment devices such as particulate traps and catalytic converters in order to offer the cleanest exhaust in urban areas.

Detroit Diesel Corp. supports the reauthorization of the Urban Mass Transportation Act as we understand the proposed initiative.

We also support the proposed changes to matching ratio funding, as long as incentives are provided for local and State transit authorities, and States cannot divert those funds for public transit to other highway projects as selected.

We would also urge that legislation be written in such a way that clearly defines who sets the criteria, and that the rules for funding highway and transit projects that are required to demonstrate the most effective way to improve mobility, while reducing air pollution.

Last, we ask for allocation of significant funding to continue research into fuel-efficient, clean powerplants that will provide the performance required by this very specialized application with continued funding for demonstration projects.

I would be happy to provide further detailed information or answer questions that would assist with the legislative process.

Thank you very much.

[The complete prepared statement of Charles Garcia follows:]

DETROIT DIESEL
CORPORATION

Testimony of Charles Garcia

Vice President, Coach Engine Sales

Detroit Diesel Corporation

Submitted for Hearing Record of April 18, 1991

Senate Subcommittee on Housing and Urban Affairs

Reauthorization of the Urban Mass Transportation Act

World Headquarters - 13400 Outer Drive, West / Detroit, Michigan 48239-4001 / Telephone 313-592-5000 / Telex 4320091 / TWX 810-221-1649

Thank you, Mr. Chairman, and Members of the Committee, for the opportunity to testify before you. Detroit Diesel Corporation is a manufacturer of heavy-duty diesel engines. Detroit Diesel designs, manufactures, and sells over 50,000 engines per year.

Our engines are used in heavy-duty highway trucks, where last year our marketshare was over 12 percent. Our engines are also used in various construction, industrial, military, marine, and generator set applications. DDC engines presently operate in over 95 percent of the buses and coaches in North America. Our engines are the engines of choice for both transit buses and over-the-road coaches.

Engines become increasingly important to the future of the transportation industry due to the changes required by environmental and energy concerns. Legislation, such as the Clean Air Act Amendments of 1990 and future legislation which will be required as part of the National Energy Strategy, definitely affects the future of our industry.

Detroit Diesel Corporation has been responding to both these environmental and energy concerns for the last twenty years, following the two energy crises the U.S. experienced in the 1970s and the requirements placed on the engine manufacturing industry through smoke and emission standards which began in the early 1970s.

I have been asked to address the effect of the new provisions of the Clean Air Act Amendments of 1990 on transportation planning and project selection, the anticipated costs of the urban bus provisions and the development and adoption of alternative fuel engines under the reauthorization of the Urban Mass Transportation Act.

Since the early 1980's, Detroit Diesel has been developing alternate fueled engines. Today DDC alternate fueled engines -- methanol, ethanol and natural gas -- are powering various demonstration fleets for a total of 120 alternate fueled vehicles. These vehicles are in operation in a variety of applications: urban buses; school buses; heavy-duty over-the-road trucks; generator sets; and speciality trucks, such as refuse haulers, yard handlers and utility vehicles.

Our experience to date with alternate fueled demonstration transit bus engines lends valuable information to the reauthorization of the Urban Mass Transportation Act.

For perspective, a study was recently completed for a California transit property. Prices for a variety of alternate fueled buses were compiled and compared against a new diesel fueled bus. The capital cost of a bus powered with a Detroit Diesel 6V-92 engine is $210,000. The same bus with a 6V-92 particulate trap-equipped engine was $230,000. A methanol 6V-92-equipped bus was $240,000. A compressed natural gas-equipped bus was $255,000. And these are only the costs of the bus.

Add to these, the increased costs of fueling facilities (a CNG compressor is approximately $300,000); higher maintenance costs; reduced passenger capacity due to increased weight of CNG tanks (8 to 10 passengers); and reduced energy efficiency of alternate fuels.

The price differential between today's diesel powered bus and the various alternate fueled buses reflects increased development and engineering costs, the costs of new tooling, small production quantities due to low market demand and unknown warranty costs.

Due to the additional costs of alternate fuels, increased funding will be required. DDC's experience with methanol, ethanol and natural gas transit bus engines corroborates the concerns you've heard from the transit industry.

Alternate fuel, the fueling mechanism, the engine, the vehicle, as well as increased service and parts costs for both vehicle and engine -- in short, the entire infrastructure -- at this point in time -- requires a significantly higher investment on the part of transit properties being asked to phase in alternate fueled vehicles.

Going back in our developmental history, following the nation's second energy crisis in 1979, we began work on the conversion of our diesel engine, redesigning it to burn 100 percent methanol fuel. This required a significant amount of research to learn how to burn high octane, low cetane fuel.

We accomplished that and our first demonstration bus went on the road in 1983. Since then we have built up a methanol demonstration transit bus fleet of over 58 buses in operation at eight different transit properties. Within the next few months, DDC will certify its 6V-92 methanol transit bus engine and will go into full production.

Today, following eleven years of development work and a $10 million investment, we are ready with a product for a marketplace which is currently limited to just a few hundred units. We are committed to provide alternate-fueled engines and more fuel efficient engines to the marketplace as we go forward. We are continuing to develop engines that will burn ethanol, compressed natural gas, liquified natural gas, and other alternate fuels that may be required by the marketplace -- due to local, state or Federal emissions regulations.

It is becoming increasingly difficult to continue to do research at the level required for the variety of fuels of interest to the marketplace. Limited research funds do exist for conceptual research projects. DDC recently received a contract from the Department of Energy to investigate coal water slurry fuel that could be potentially burned in a diesel engine.

However, the major commitment of Federal funds has been in the area of funding specific demonstration programs, after the technology has been developed through private funding. As a result, industry has had to take the responsibility of doing research and development and assuming all risks associated with entering an unknown market. We ask that significant financial support for research and development, to enhance and continue development of alternate fueled engines, be provided.

Until alternate fueled engines are accepted in the marketplace, DDC feels that research should continue on clean diesel fuel and the diesel engine. Realizing that there has been a great deal of "diesel-bashing," I would like to point out that the diesel engine continues to be the most fuel efficient power plant available for all modes of transportation. Diesel engines not only are the most fuel efficient, but they also contribute the least to carbon monoxide emissions and have the least effect on the impact of CO2 on global warming.

We ask that reauthorization of the Urban Mass Transportation Act includes a dedicated amount of funds for research for clean diesel engines. Power plants in the future will require the capability of operating on diesel fuels, as well as alternate fuels and aftertreatment devices such as particulate traps and catalytic converters, in order to offer the cleanest exhaust in urban areas.

Detroit Diesel Corporation supports the reauthorization of the Urban Mass Transportation Act as we understand the proposed initiative. We also support the proposed changes to matching ratio funding, as long as incentives are provided for local and state transit authorities and that states can't divert those funds from public transit to other highway projects once selected.

We would also urge that legislation be written in such a way that clearly defines who sets the criteria and the rules for funding highway and transit projects are required to demonstrate the most effective way to improve mobility while reducing air pollution. Lastly, we ask that allocation of significant funding to continue research into fuel efficient, clean power plants that will provide the performance required by this very specialized application, with continued funding for demonstration projects.

I would be happy to provide further detailed information or answer questions in order to assist with the legislative process.

Thank you.

Senator **Cranston**. Thank you very much.

I thank you all.

I just wanted to explore a few questions with you.

It seems to me that Federal transportation policy should link planning with budgeting at the metropolitan area level.

The metropolitan area should be able to make tradeoffs among alternative modes for achieving clean air and improved mobility.

I am encouraged that cooperation between this committee and the Environment and Public Works Committee should be able to level the playing field and remove biases against local choice of public transit.

I want those efforts to address the concerns that you expressed, Mr. Downs.

The tough job will be to move beyond general principles and to shape detailed legislation that will take account of the great diversity among metropolitan areas around the country.

At a hearing before the subcommittee just yesterday, we discussed these matters.

I would like to ask you a few questions today on that general subject.

First, what do you feel needs to be done to make sure that air quality planners and transportation planners can work jointly to achieve the objectives of the Clean Air Act and of improved mobility?

Whoever feels inclined to answer, please start.

Then if anybody has any additions, or subtractions, or agreements to express, we will do that.

Mr. **Pegg**. I think in southern California there has been a reasonable partnership between the transit industry and the air quality management district.

I believe that that could be encouraged by making clear the role and the funding of that district, and by making it possible for a portion of the cost increments that we will experience to move through the air quality management process.

Currently their primary source of funding comes from penalties, basically a negative approach.

And if there were some process in which the overall incentive to move toward clean air would be to derive a more positive support of transit and of clean air solutions, I think that it would move the process forward in a much more constructive and rapid way.

Senator **Cranston**. Any other comments?

Mr. **Clare**. Speaking from an area in upstate New York where there really are not any massive nonattainment areas such as they have in California, part of the problem is getting people to see the relevance of it.

Where you are not into a negative situation as has been declared a nonattainment area, it is to me all that more critical to get people working together before you become a nonattainment area.

I am not sure exactly how you get people—I have been involved in MPO activities up there, and I am not really sure how you get people to start seeing the relevance of it, unless there is really a Federal requirement that is stronger than there is today, that your entire transportation improvement program that is put together at the MPO really has to meet some strict air quality analysis.

I know that the highway programs, as opposed to the transit programs, in the MPO level continue to look at such things as congestion, and add more lanes in those areas, and that is the kind of philosophy I think that exactly got California into the situation that they are in today.

So you have the problem in the nonattainment areas, but you also have the problem in the attainment areas a few years down the road.

So I am sure really what the answer to it is.

Mr. DOWNS. Senator, I would raise two interesting questions.

From my experience here in Washington as chair of the Transportation Planning Board with the Regional Council of Governments years ago, and the struggles between Maryland, Virginia, and the District of Columbia about transportation funding, one is that money talks and money walks.

If the economic incentives are for building a road, you build a road.

That is just how it works out in terms of how much money is required to be put up by a local jurisdiction to gain Federal money.

If you have to put up 40 cents on the dollar, you are not going to do that project, if you have a choice about doing one that only requires you to put up a dime on the dollar.

That is the issue in comparability in funding.

There should be some incentives for people who make tough choices and reach for attainment.

They ought to be able to do good and do well at the same time.

There ought to be some provision for, for instance, the L.A. Basin making tough choices that they do not have to sacrifice at the beginning of the process and at the end of the process.

We face a parochial issue that I think has to be addressed at some point about clean air.

The SIP that is envisioned in the Clean Air Act controls the transportation improvement program in the capital investment decision process.

In a bistate area, and New Jersey is blessed with two major bistate regions with Pennsylvania and with New York State, the SIP is regional.

It is two States' SIP. The TIP is a parochial issue within the urbanized area of the State.

It is unclear, both in law and in regulation, how, for instance, a regional SIP involving decisions made by the mayor of New York City and the mayor of Newark, NJ, will be made—how tradeoffs are made within that region.

You can eat up a lot of room in mobile source emissions with an investment in one jurisdiction across the State line, and have another State be penalized in this process.

It is unclear how that is going to work, and I think at some point in this investment process about transportation it has to be addressed.

Mr. ALLEN. I would like to add a few comments.

I would address your last comment first.

I think in the Northeast the Regional Ozone Transport Commission will address some of your concerns about getting the EPA regions and the States to work together a little better.

I would also like to support the idea that has been expressed several times here about flexibility and leveling the playing field with regard to the equity of funds.

I think those two issues are very important.

I would like to reemphasize the point I made earlier about the need to apply conformity criteria in attainment areas as well as in nonattainment areas.

I think the Clean Air Act and the way it addresses conformity will go a long way toward making transportation planners and the air quality officials work together.

Senator **CRANSTON**. Another matter I wanted to get into is we have heard the California, southern California RTD's surveyed transit properties across the country to quantify the costs of the urban bus provisions.

They estimate it will cost them $7.4 billion to $9.9 billion nationwide to bring buses into compliance, not including additional fuel and facilities' costs.

That of course would require a large increase in transit assistance sources available at all levels of government.

Alan, you said in your testimony that the flexible use of highway and transit funds may provide a source of funds to fulfill some of those capital needs.

In practice, how do you think the L.A. area would make the decision to tap highway dollars to meet these pressing transit needs?

Mr. **PEGG**. I would have to express great concern about that.

I think the competition for those funds has been with us for many decades.

So the practical translation of putting those funds through the current planning process and seeing the investment move from highway to transit is one about which I have the greatest of concerns.

I see currently no incentive for that movement, other than the will of individual policymakers to make that decision.

Historically, the decisions of those individual policymakers have been much more wedded to the highway than they have to transit.

Frankly, while I am very much in favor of flexibility, I would have to say that at the current funding levels of transit, we must first address an adequate funding level for transit before flexibility becomes a reasonable alternative that we can actually benefit from.

At the present time, I am able to replace approximately half of my diesel bus fleet each year.

And we are moving as constructively as we have because we have established rehabilitation programs for our fleet at the local level, and we were fortunate a number of years ago to enjoy a very large purchase of vehicles.

So I believe that flexibility without some change in this playing field is a dream that is being advertised without an accompanying reality.

Mr. **DOWNS**. Amen.

Senator **CRANSTON**. Mr. Clare, do you have any comments to make on the central region of New York?

Mr. **CLARE**. I would absolutely agree with what Alan just said.

Even in our area, I really can't see a situation where any highway funds are going to come over to the transit side.

I would be living in a dreamworld if I thought they were.

The one thing that comes to mind with me, there are several maybe alternatives to put this investment in place that is going to be necessary, especially with the higher costs of implementing alternate fuels.

One approach could be like what UMTA did a couple of years ago when they were trying to push people into implementing certain projects for the elderly and disabled.

They put out special funding at a 90-percent Federal share level for something they thought needed to be done, and needed to be done quickly, and for people to sit up and take notice and do it.

That could be one alternative within the mass transportation program to get people to move on this a little quicker.

Another method could be to work through the local public utilities, especially in the area of compressed natural gas.

These local utilities have a major stake in seeing that this kind of technology takes off.

They are looking at potential huge, new customers and selling large quantities of gas, and they may just need a little bit of a financial incentive, a little bit of a nudge to get them to jump into this pool a little bit more than they have already.

Because I am not sure, at least in dealing with our public utilities, whether they think yet whether this is just a flash in the pan, something that is going to go away in a couple of years, or whether it is going to be something that is here to stay.

I think if they really believe it is something that is here to stay, they are going to be in with their financial resources to a greater degree than they are today.

Senator CRANSTON. I would finally like to ask a general question of each of you to answer.

If you could answer in about one sentence, I would appreciate it.

If you could be as brief as the "amen" from Mr. Downs, that would be great.

The question is: What is the single most important problem Congress could address in this year's UMTA reauthorization bill?

Let me start with you, Mr. Garcia, and work down the table.

Mr. GARCIA. I believe the single most important problem on this reauthorization process is earmarking those special funds for the high technology it is going to take to achieve the requirements of the Clean Air Act.

Senator CRANSTON. Thank you.

Mr. Clare?

Mr. CLARE. Myself, I think the single biggest issue, and I have heard it here before and I agree with it, is the level playing field issue.

That issue has got to be addressed in the reauthorization, and I think that, as I put it, it really should not be a "level playing field," and I am speaking for the way I see it, if there is going to be an unlevel playing field, it should be on transit's side because that is where the effort is needed.

Mr. PEGG. I would agree with the level playing field. We have in reality a playing field skewed twice here, both in the Federal shares for capital which create a bias toward highway, and the elimination of operating assistance which will drive up fares and drive people away from transit.

Mr. **Downs**. Money.

UMTA has been nibbled to death over a decade, and transit systems have been nibbled to death at the local level by national requirements.

ADA will cost us between $100 and $240 million, depending on how the implementation regs are put out.

Urban bus requirements will cost us between $80 and $100 million, and the administration proposes to eliminate operating assistance for about $40 million a year.

And everybody expects transit to carry the load on clean air.

It will not work.

Senator **Cranston**. Thank you.

Yes?

Mr. **Allen**. I agree that leveling the playing field is a key issue. We must provide the opportunity for people to get out of their cars and into mass transit.

Senator **Cranston**. Thank you all very, very much. You have been very helpful.

We will submit written questions to you right away. If you could reply by the end of next week, it would be very, very helpful. We are on sort of a tight schedule.

Questions to come.

Our final panel is regarding the Americans With Disabilities Act and transportation for the elderly and handicapped.

If they would come forward, the members of the final panel.

We will start with David Capozzi, vice president of Project Action, Washington, DC.

Let me stress again the necessity that you express in 5 minutes or less your most important views.

Your full statement will appear in the record as if read.

Mr. Capozzi.

STATEMENT OF DAVID CAPOZZI, VICE PRESIDENT, PROJECT ACTION, WASHINGTON, DC

Mr. **Capozzi**. First I want to begin by thanking you, Senator Cranston, for your longstanding advocacy on behalf of people with disabilities.

We are going to miss your leadership.

Senator **Cranston**. Thank you.

Mr. **Capozzi**. With the passage of the ADA, transit systems around the country are really struggling to effectively implement the new requirements of this law.

Although many aspects are designed to be phased in over time, several of the key transit provisions have been in effect since August of last year.

Other aspects, notably the mandate for complementary paratransit services will not go into effect until January 1992.

Currently, only about 40 percent of fixed-route service is accessible for people who use wheelchairs and other people with disabilities.

Because of this, many transit systems have never purchased accessible fixed-route vehicles, and thus have not had experience in meeting the access needs of people with disabilities.

For example, Al Savage has just taken his first order of accessible buses in Chicago. Other cities are in similar situations.

Many of these transit systems, therefore, have little experience in training their drivers in dealing with a new part of the traveling public, or in training consumers and making use of these accessible services.

Additionally, many transit systems have not dealt with issues such as how to secure a wide variety of mobility devices on transportation vehicles; or, how to encourage people who are able to, to move off of expensive paratransit and onto accessible fixed-route services.

But for all of those transit systems that haven't yet provided integrated and accessible transportation for people with disabilities, there are numerous examples of transit systems that have been providing accessible services but haven't yet been providing the complementary paratransit that is required under the ADA.

Johnstown, PA, and Seattle, WA, are just two examples of cities that have accessible fixed-route service but no complementary paratransit service.

These systems are often held up as shining examples of how they are effectively meeting the access needs of people with disabilities.

However, now they face new challenges: complementary paratransit.

They have to be given the tools to ensure that the ADA works for everyone in their community.

What is needed to meet these challenges is an ongoing mechanism to implement the ADA.

Of course transit systems are going to need new dollars to help with the requirements of the ADA.

You have heard that earlier. You will hear that again, I am sure, on this panel.

The Department of Transportation in their preliminary regulatory impact analysis that they just released earlier in April indicates that the national cost of the Department's ADA regulations would range from about $850 million to $1.3 billion per year.

Obviously more money is needed. But money alone, along with purchasing accessible vehicles, will not effectively implement the ADA.

In fact, if that is all that transit systems do, then the ADA is doomed to fail in those communities.

One effort that is currently underway to assist transit systems to meet their obligations under the ADA is Project Action.

Project Action will develop a cooperative model for accessible transportation involving national and local disability organizations working together in cooperation.

This $3 million cooperative agreement between Easter Seals and UMTA was designed to improve the relations between transit and disability organizations, as well as augment the tools and techniques that can be used to improve the transit services available to people with disabilities.

Over the past couple of years, we have conducted some of the most extensive research on accessible transit for people with disabilities that has ever been conducted.

We did a reconnaissance survey of 112 transit systems around the United States to find out the records and strides that local transit systems have been making in providing services for people with disabilities.

We did interviews with our steering committee members and other experts in the field of transportation for people with disabilities.

We did a survey of Project Action Resource Council members which now numbers over 3,500 individuals and or ganizations.

We did a literature review and a critical needs assessment.

This report identifies that some of the most critical gaps in the delivery of accessible transportation services include the need for outreach and marketing initiatives, more and better training of transit personnel, more consumer training in the use of accessible fixed-route transit services, and the need for safer and more flexible securement devices which can accommodate many types of wheelchairs.

Well, Project Action has helped in meeting some of these needs.

We reached a major milestone recently with the distribution of our request for proposals.

That RFP provided for $1.9 million in funding for local demonstration projects. Eighty-two proposals were submitted seeking $6.7 million in funding.

Twenty-five local demonstration projects were selected for funding, and they began operations in February of this year.

One demonstration program that I would like to tell you about is being done by SEPTA in Philadelphia.

This project will develop a low-cost modular wooden partial high-level platform and ramp to improve access to SEPTA's commuter rail system.

It will also purchase and modify fiberglass bridge plates to cross the gap between the train and the platform.

Because these platforms are expected to cost less than the traditional steel and concrete platforms, SEPTA has predicted that it could beat by 2 years its deadline to meet the ADA rail service requirements.

But despite the proven cost-effectiveness of Project Action and the demonstration projects that it funds like the SEPTA project, our funding will expire in June 1992, and no additional funding is available beyond the $1.9 million that I told you about to assist transit systems in effectively dealing with the ADA, which is largely because Project Action was a creature of the appropriations process.

Also, DOT estimates that the cost of providing public paratransit alone is between $700 million and $1 billion a year.

They say that 25 to 30 percent of that money could be saved through cost-effective measures like providing mobility training to blind individuals; coordination of paratransit services; and efforts to increase the ridership on lift-equipped buses.

But none of those are required.

So what we need is a program within the UMTA act, a long-term, ongoing program to deal with the ADA.

It should include things like technical assistance and onsite visits, and peer-to-peer counseling for transit systems that have already dealt with access problems to go to another transit system that has not yet dealt with that.

Senator CRANSTON. Mr. Capozzi, I am afraid I will have to call your attention to the red light.

Mr. CAPOZZI. Sure. I just wanted to mention one more thing.

That is, changing the current Federal match of 80–20 to 100 percent Federal match for access equipment.

Doing this could free up some substantial resources to meet the ADA's requirements, and specifically paratransit and helping to meet operating expenses.

Just one quick example.

DOT estimates that about 2,900 new buses are going to be purchased next year, and that the incremental cost of buying those to include access equipment is $15,000 per bus.

The total cost of making these new vehicles accessible would be $43 million, roughly, and $8.7 million of this would be paid for by local transit if no changes in the Federal match were made.

If we made access equipment eligible for a 100-percent Federal match, we could free up $8.7 million, and that is just for fixed-route vehicles.

This is another creative way to help augment and decrease the timeframe in which we meet the ADA.

Thank you.

[The complete prepared statement of David Capozzi follows.]

The Power To Overcome

National Easter Seal Society
Office of Public Affairs

1350 New York Avenue N.W., Suite 415
Washington, D.C. 20005
202 347.3066
202 347.7385 (TDD)
202 737.7914 (fax)

TESTIMONY OF

DAVID M. CAPOZZI

VICE PRESIDENT OF ADVOCACY
NATIONAL EASTER SEAL SOCIETY

BEFORE THE

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

UNITED STATES SENATE

ON THE

REAUTHORIZATION OF THE URBAN MASS TRANSPORTATION ACT

THURSDAY, APRIL 18, 1991

Mr. Chairman and members of the subcommittee, thank you for the opportunity to present my views on the reauthorization of the Urban Mass Transportation Act and especially how this important legislative initiative relates to transportation for people with disabilities in light of the recently passed Americans with Disabilities Act (ADA). My name is David Capozzi, and I am the Vice President of Advocacy for the National Easter Seal Society. I am pleased to offer our views on how the UMTA Act can serve to assist with the implementation of the ADA.

The National Easter Seal Society is a nonprofit, community-based health agency dedicated to increasing the independence of people with disabilities. Easter Seals makes a difference in the lives of disabled adults, children and their families by offering a wide range of quality services, research and programs. Through a nationwide network of 170 affiliates, more than a million people receive Easter Seal services each year. We are also in the forefront of advocacy efforts on behalf of people with disabilities.

One program that Easter Seals manages is Project ACTION. Project ACTION is a $3.0 million multi-year project funded by the Urban Mass Transportation Administration (UMTA) through a cooperative agreement and involves national and local organizations representing public and private transit operators, the transit industry, and persons with disabilities in the development and demonstration of cooperative approaches to promote access to transportation services for people with disabilities.

Our efforts on the ADA go back to early 1988. Easter Seals collaborated with the National Council on Disability and other disability groups to get the original version of the bill drafted and introduced in Congress. Subsequently, we testified during the hearings on the bill and secured cosponsors in the House and the Senate. During the two and one half years that the bill was moving through the Congress, we maintained a consistent presence on Capitol Hill advocating passage of the measure. Easter Seal affiliates also played an important role in the campaign at the grassroots level and our leadership used both the print and electronic media to enhance public support for the legislation.

Easter Seals particularly devoted a considerable amount of our resources to the development of the transit provisions of the ADA. I testified in support of the ADA before the House Committee on Public Works and Transportation and was also a member of the ADA "legal team" for the disability community that helped craft the legislative history and the final bill.

Now that the Americans with Disabilities Act has been signed into law, we are focusing on the regulatory and implementation phase of the ADA. Recently, I was named Chairman of the Urban Mass Transportation Administration's Americans with Disabilities Act Federal Advisory Committee. The 24 member Advisory Committee will facilitate dialog among the parties affected by the ADA and provide a forum for advising UMTA on developing regulations to implement the Act. The Advisory Committee met on January 28-29, 1991 and discussed key provisions of the ADA, particularly those involving paratransit. DOT and UMTA plan to reconvene the Advisory Committee in June, prior to publication of the final ADA rules in July.

I. The transit needs of persons with disabilities.

Assuring access to transportation is critical to promoting maximum independence and achieving meaningful community integration for persons with disabilities. Transit operators seek to accommodate the needs of people with disabilities as part of their efforts to provide satisfactory transportation services to the public. However, public policy efforts and interaction between the disability and transit communities to date have been inadequate relative to expanding the accessibility of public transit for individuals with disabilities.

Also, the demand for accessible public transit services for persons with disabilities is growing -- and will continue to do so in the future. As UMTA recently reported:

> "The 'transportation handicapped' population -- those who have difficulty in traveling due to physical or mental impairment -- is expected to increase slightly, from 4.1 percent of the population in 1980 to 4.5 percent in 1990. This represents an absolute increase from just over 9 million to just *over 11 million persons who need special assistance in transportation.*" (Urban Mass Transportation Administration, U.S. Department of Transportation, "The Status of the Nation's Local Public Transportation: Conditions and Performance, Report to Congress").

Indeed, this need will also go beyond the central city. As UMTA has stated,

> "...as a result of the increasing 'suburbanization' of the population, it is expected that the number of handicapped persons living in the suburbs and requiring special transportation assistance will also increase."

Moreover, needs are changing over time. Developments such as deinstitutionalization, independent living, and mainstreaming are working to increase the overall demand for accessible public transportation, as do gains in employment, education and community integration of persons with disabilities. Demographic changes in the American population and ongoing activities in society promise to further emphasize the need for accessible public transportation. Also, persons with disabilities depend on public transportation at a higher rate than people without disabilities since they tend to have higher unemployment rates and are often frustrated in obtaining accessible transportation.

In a 1986 Louis Harris poll, "Bringing Disabled Americans into the Mainstream", a majority of people with disabilities indicated that their disabilities prevent them from getting around, socializing, or going to cultural events as much as they would like. In "On the Threshold of Independence", the National Council on the Handicapped reported in 1988 that forty-nine per cent of respondents believe that their mobility is limited because they "are not able to use public transportation or because [they] can't get special transportation or someone to give [them] a ride when [they] need one".

II. Innovations are needed at the local level.

While it is useful to ascertain trends from aggregated national data, it is also clear that much of the progress in transit for persons with disabilities is accomplished in local communities. It is within these individual communities that new solutions for providing this needed service will be found. National organizations -- federal and private -- can help, but they help best when they plant the impetus for innovation at the local level.

It is especially important that policy innovations at the local level be accelerated. This is the case for two key reasons. First, new, more cooperative policies will help to usher in more effective service across the country. And secondly, policy innovations such as the ADA inevitably lead the way for more effective research and development in new technologies.

The Urban Mass Transportation Administration cites as one of its main objectives for 1991 the enhancement of transportation accessibility and mobility for people with disabilities and other "transportation handicapped Americans". In its Agenda for the UMTA's Transit Planning and Research Program, UMTA cited the following issues as critical to its efforts to increase mobility and access:

- ✓ identification of transit access needs to pinpoint target areas for accessibility improvements
- ✓ development and introduction of equipment to ensure accessibility for all transit system users and to address access barriers, and
- ✓ training, outreach and marketing activities to help serve people with disabilities more effectively.

III. A history of conflict.

Legislative, regulatory, judicial and community conflict have characterized the issue of public transportation for persons with disabilities for more than 15 years.

Legislative. The issue of "full accessibility" versus "improved mobility" was a major legislative focal point, and to an extent, battleground in the 1970's. The federal mandate for accessible public transportation for individuals with disabilities began with the passage of §504 of the Rehabilitation Act of 1973, which prohibits discrimination on the basis of handicap. Section 504 protection is viewed as the core of accessibility efforts. However, it is important to note that the 1973 Rehabilitation Act, which contained §504, has not been the sole foundation of this effort.

Transit and highway legislation itself has focused considerably on this issue. As early as 1968, with passage of the Architectural Barriers Act, Congress affirmed the right of access for persons with disabilities to federally assisted buildings and facilities, including those related to transportation. Two years later, amendments to the Urban Mass Transportation Act were enacted which specifically state that it is a "national policy that elderly and handicapped persons have the same right as other persons to utilize mass transportation facilities and service."

From the 1970 amendments to the UMTA Act to the Surface Transportation Assistance Act of 1987 and most recently with the enactment of the ADA, Congress has in each successive effort sought to extend, enhance and clarify the strong federal intent that public transportation services be accessible and available to persons with disabilities. The reauthorization of the Urban Mass Transportation Act should continue this trend.

Regulatory and Judicial. The greatest source of conflict among parties has been over the specific regulations which sought to implement the legislation described above. The benchmark for all activity began with the regulations issued by the Department of Transportation in 1976, which left resolution of transit service for people with disabilities to local initiatives. These "local option" regulations were replaced with more rigorous rules in 1979 which required all new transit vehicles to be accessible, plus required a retrofitting of existing vehicles. Strenuous objection was heard from the public transit community, which thought the scope of the regulations excessive.

From this stage, the conflict moved to the courts. Two years after DOT's final rule, the U.S. Court of Appeals ruled that there was insufficient legislative justification for the DOT regulation. Subsequently, DOT issued new regulations in 1981 and then again in 1986 which permitted local communities to decide the best way to serve people with disabilities, either through accessible fixed route service or specialized, demand responsive service, using lift equipped vehicles, or some combination of both.

DOT recently published the most recent set of transit accessibility regulations when they issued a Notice of Proposed Rulemaking in the Federal Register on April 4, 1991 for the transit provisions of the ADA.

Community discord. Given the chain of events focused in Washington since 1970 in the legislative, regulatory and judicial spheres, it is no wonder that considerable discord has plagued communities across the country as they attempted to provide transit service to persons with disabilities.

Many transit authorities and local governments sincerely believe they were adequately meeting needs with combinations of paratransit and demand responsive service. Others were constrained by the cost elements of going beyond minimum alterations in their system. Regardless of intent, a responsible transit authority or local government seeking to meet basic requirements has seen the "rules of the game" almost fully altered not only in the middle of the game -- but, in fact, several times in the middle of the game since the mid-1970's.

The legacy of this history has been the building of an adversarial relationship in many places across the country between local transit authorities and people with disabilities, both individually and with respect to those organizations representing them. It is that characteristic which needs to be reversed in order to fully implement the ADA and change the relationship from negative to positive.

IV. Impact of the Americans with Disabilities Act.

With the passage of the Americans with Disabilities Act, transit systems around the country are struggling to effectively implement the new requirements of this law. Although many aspects of the ADA are designed to be phased in over time, several of the key transit provisions have been in effect since August 26, 1990. Other aspects of the transit requirements, notably the mandate for complimentary paratransit services for public entities that operate fixed route service will not go into effect until January 1992.

Currently, only 40% of existing fixed route vehicles used for public transportation are accessible to people with disabilities. Because of this, many transit systems have never purchased accessible fixed route vehicles and thus have not had experience in meeting the access needs of people with disabilities. For example, many of these transit systems have little or no experience in training their drivers in dealing with a new segment of the riding public or in training consumers to make use of accessible public transit services.

Additionally, many transit systems have not dealt with issues such as how to secure a wide range of mobility devices on their transit vehicles or how to encourage people who are able to use accessible fixed route transit to move off of expensive paratransit and make use of accessible fixed route services.

For all of the transit systems that have not provided integrated and accessible public transit services to people with disabilities, there are numerous examples of transit systems that have been providing accessible services but have not provided complimentary paratransit for those individuals who cannot use accessible transportation. Johnstown, PA and Seattle, WA are just two examples of systems that have no complimentary paratransit system. These cities are often held out as shining examples of systems that have successfully operated accessible fixed route transit services for people with disabilities. However, they are now faced with new challenges and they must be given the tools to ensure that the ADA works for everyone in their communities.

Also, the ADA now covers other forms of transit including transportation services operated by private entities including hotels, motels, and tourist attractions. Many of these operators have had little or no experience in working cooperatively with disability organizations or in providing programs to make accessible services work.

What is needed to meet these challenges is an **ongoing** mechanism to help implement the Americans with Disabilities Act. Of course transit systems will need new dollars to help with the requirements of the ADA. The Department of Transportation in their preliminary regulatory analysis of the April 4, 1991 proposed ADA regulations estimates that the "national costs of the Departments final ADA rule on vehicle accessibility and the proposed NPRM on station and facility accessibility requirements would range from roughly $850 million to $1.3 billion per year." Obviously more money is needed. However, money alone -- along with purchasing accessible vehicles -- will not effectively implement the ADA. In fact, if that is all some transit systems do, then the ADA is doomed to fail in those communities.

One effort that is currently underway to assist transit systems meet their obligations under the ADA is Project ACTION. Project ACTION (Accessible Community Transportation In Our Nation) will demonstrate a cooperative model for accessible transportation involving national and local disability and transit interests. This $3 million cooperative agreement between the National Easter Seal Society and the Urban Mass Transportation Administration was designed to improve the relations between the transit and disability communities as well as augment the tools and techniques that can be used to improve transportation services to people with disabilities.

The project includes the development and demonstration of a cooperative model of techniques to:

- ✓ identify people with disabilities in the community and their transit needs
- ✓ develop outreach and marketing strategies
- ✓ develop training programs for transit operators
- ✓ develop training programs for persons with disabilities, and
- ✓ apply technology to solve critical barriers to transportation and accessibility.

Over the past two years Project ACTION conducted some of the most extensive research ever attempted in the field of accessible public transportation. Our research consists of:

- Reconnaissance Survey of 112 transit systems throughout the United States. This survey tracks and records the strides made by local transit agencies in providing accessible services. Beyond this Project ACTION initiative, there have been few efforts to collect, organize and widely disseminate information and data on the accessibility activities of transit agencies.

- Interviews with Project ACTION's Steering Committee members and other experts. This tabulation provides a wide variety of views including a distillation of comments and opinions drawn from in depth interviews on the subject of accessible transportation.

- Survey of Project ACTION's Resource Council members. This is an eye-opening compilation of candid remarks and recommendations made by grass roots practitioners and disability advocates.

- Project ACTION literature review. Based on a review of 432 articles, summaries and abstracts related to public transportation and accessibility this literature review contains abstracts of 53 articles and studies.

- Critical needs assessment. This report identifies some of the most critical gaps in the delivery of accessible transportation services including the need for outreach and marketing initiatives, more and better training of transit personnel, more consumer training in the use of accessible fixed route transportation services, and the need for safer and more flexible securement devices which can accommodate many types of wheelchairs. These and an extensive listing of other unmet needs address many of the changes that must be made to fully support accessible transportation policies and programs.

- Innovation analysis. Just a few of the successes and innovations contained in this report include another country's national database survey of people with disabilities, a consumer run marketing and training program, an independent living center's training program for transit personnel, an effective approach for training people with cognitive impairments in the use of fixed route transportation services and low cost technological advances.

Our extensive research indicates that what is needed to foster the progressive policies of the ADA in the 1990's and beyond is to:

- Develop and disseminate research on the best ways to identify people with disabilities and their transportation needs. Many current techniques are inadequate or inconsistently applied.

- Coordinate transit agency resources with other agency resources. Though limited individually in scope, aggregating agency resources can provide a solid base for the identification process.
- Develop methods appropriate to local demographic conditions and disability communities.
- Adopt mainstream outreach and marketing policies and programs and involve people with different types of disabilities in all aspects of outreach and marketing, including the design, implementation, and evaluation of such programs.
- Strengthen and expand outreach activities to include people with all kinds of disabilities.
- Actively solicit and secure the involvement of persons with different types of disabilities in the training planning process.
- Assess the training needs of transit personnel on a continuing basis.
- Design training programs which are comprehensive, realistic and measurable to include sensitivity and assistive training, maintenance, preventive maintenance and safety training.
- Use a variety of materials and experiential techniques in training transit personnel.
- Involve consumers more extensively in program design and evaluation, as well as training.
- Expand the scope of user training programs to embrace the needs of all people with disabilities in the community including individuals not served by social service agencies and other programs.
- Assess training needs to include the varying transportation needs of people with different types of disabilities and address actual transit needs rather than desires.
- Develop low cost approaches to the application of technology, particularly in rural areas.
- Resolve lift design and maintenance problems encountered in varying terrain and weather conditions.
- Develop new and more effective approaches to providing information for people with visual and hearing impairments, especially in the use of bus and rail systems.

Project ACTION has begun to help in meeting some of these needs and reached a major milestone on June 29, 1990 with the distribution of a request for proposals (RFP). The RFP provided for $1.9 million in funding for local demonstration projects. By the October 1, 1990 filing deadline, 82 proposals were submitted with a total request of $6.7 million. Twenty five local demonstration programs were selected for funding and began operations on February 15, 1991.

One demonstration program that Project ACTION has funded is being conducted by the Southeastern Pennsylvania Transportation Authority (SEPTA). This project will develop a low cost, modular wooden partial high level platform and ramp to improve regional accessibility and access to the SEPTA commuter rail system for wheelchair users and will purchase and modify fiberglass bridgeplates to cross the gap between car and platform. Because the platforms are expected to cost less than traditional steel and concrete, SEPTA has predicted that it could beat by two years its deadline to meet the Americans with Disabilities Act rail service requirements.

> *(For more information on Project ACTION and demonstration programs that have been funded see attachment A)*.

Despite the proven cost effectiveness of Project ACTION and demonstration programs that it funds, like the one described that is being conducted in Philadelphia, our funding will expire in June 1992 and no additional funding is available beyond the $1.9 million amount to assist transit systems to effectively implement the ADA.

Also, DOT estimates the cost of providing public paratransit alone at between $700 million and $1 billion per year. They also say that "publicly-operated paratransit systems could potentially realize annual cost savings of 25-30 percent, if they adopted all of the following cost efficiency measures:

- technological innovations in vehicles and automated passenger reservation and route scheduling systems;
- down-sizing of vehicles to the number of passengers served on the routes;
- providing mobility training to blind persons and those with minimal mental retardation problems to enable them to use fixed route services for routine trips;
- coordination of paratransit services with social agency community programs serving the same community...;
- increased use of user-side services; and
- concerted efforts to increase ridership on lift-buses by conducting more demonstration of lifts in the community and increased advertising and promotion of lift services.

Despite the expected cost savings if these programs are initiated, DOT does not require that any of these activities be conducted in their ADA proposed regulations.

V. A program is needed in the Urban Mass Transportation Act to help implement the ADA.

What is needed to meet the challenges posed by the Americans with Disabilities Act is an **ongoing** mechanism to help with its implementation. The objective of this program should be to expand the governments' efforts regarding transportation accessibility through either an expansion of Project ACTION or technical assistance directly related to the Americans with Disabilities Act.

Based on Project ACTION's research we determined that training programs are needed so that people with disabilities get over their fears about using public transit; transit operators need training to deal with a new customer base; new forms of technology need to be encouraged; and outreach and marketing efforts need to be undertaken to encourage the use of accessible services.

This new program could also conduct:

- technical assistance for on-site visits for those communities where intensive help is needed. This technical assistance could be provided in a number of ways, including peer groups or sending experienced representatives from one community that has successfully dealt with an access issue to another community,
- other activities could include setting up an electronic information sharing network,
- ongoing demonstration programs similar in nature to those that have been funded by Project ACTION in 1991,
- encouraging future innovations especially in the area of technology development,
- information dissemination and sharing.

(For more information on this proposal see attachment B).

VI. Conclusion.

Given the recent enactment of the ADA, it is now a useful time for the federal government to strengthen its role as a policy leader in this field. This can be done by enhancing outreach efforts with individual organizations and communities to spread the word of innovation and cooperation.

The program that we are proposing is consistent with the directives outlined by Congress in the legislative history behind the ADA. The Senate Committee on Labor and Human resources identified in its report on the ADA that adequate training of maintenance personnel and bus operators, sensitivity training of all personnel, and creative marketing are all crucial elements in the nondiscriminatory provision of transportation to people with disabilities. Also, this continuation of Project ACTION would assist the Urban Mass Transportation Administration meet some of their objectives for 1991 as mentioned in their Agenda for the UMTA's Transit Planning and Research Program.

Thank you for the opportunity to present our views on the reauthorization of the Urban Mass Transportation Act. I would be happy to answer any questions.

ATTACHMENT A

The Power To Overcome

National Easter Seal Society
Office of Governmental Affairs

1350 New York Avenue N.W., Suite 415
Washington, D.C. 20005
202 347.3066
202 347.7385 (TDD)

ACCESSIBLE COMMUNITY TRANSPORTATION IN OUR NATION

Project ACTION Summary

Assuring access to transportation is critical to promoting maximum independence and achieving meaningful community integration for more than 40 million Americans with disabilities. Full participation in meaningful life activities, both work and leisure, hinges on their ability to utilize accessible transportation systems; quite simply, to get where they need to be, when they need to be there. The passage of the Americans with Disabilities Act (ADA) is certain recognition of the critically important role that accessible transportation plays in the lives of persons with disabilities.

With the passage of the ADA, transit systems around the country are struggling to effectively implement the new requirements of this law. Many transit systems have never purchased accessible fixed route vehicles and thus have not had experience in training their drivers or consumers to make use of accessible public transit services. Additionally, many transit systems have not dealt with complex issues such as how to secure a wide range of mobility devices on their transit vehicles or how to encourage people who are able to move from the use of expensive paratransit services to accessible fixed route services.

One effort that is currently underway to assist transit systems in meeting their obligations under the ADA is Project ACTION; a program that is managed by the National Easter Seal Society and is funded through a cooperative agreement with the Urban Mass Transportation Administration. Project ACTION (Accessible Community Transportation In Our Nation) seeks to create and demonstrate a cooperative model for accessible public transportation involving national and local disability and transit interests. It was designed to improve the relations between the transit and disability communities as well as augment the tools and techniques that can be used to improve transportation services to people with disabilities.

The project includes the development and demonstration of a cooperative model of techniques to:

- identify people with disabilities in the community and their transit needs
- develop outreach and marketing strategies
- develop training programs for transit providers
- develop training programs for persons with disabilities
- apply technology to solve critical barriers to transportation and accessibility

Project ACTION reached a major milestone on June 29, 1990, with the distribution of a request for proposals (RFP). The RFP provides for \$1.8 million in funding for local demonstration projects. Over 1,500 organizations and individuals received a RFP. By the October 1, 1990, filing deadline, 82 proposals were submitted with a total request of \$6.7 million. 25 local demonstration activities have been funded for 1991, as summarized below:

Contractor: **Oregon State University**
Location: Corvallis, Oregon

This project will design a securement/restraint system for mobility aids in "common use" on public transportation vehicles.

Contractor: **Massachusetts Coalition of Citizens with Disabilities**
Location: Boston, Massachusetts

The Inter-Region Travel Initiative Project will increase the use of the statewide inter-city transportation system developed in Massachusetts through marketing, outreach and training programs.

Contractor: **Housatonic Area Regional Transit**
Location: Danbury, Connecticut

The project will develop a model program designed to identify people with disabilities in the community and their transit needs, develop outreach and marketing strategies, and will offer consumer training.

Contractor: **Cerenio Management Group**
Location: San Francisco, California

The intent of this project is the creation of a process to train transit users with disabilities as sensitivity trainers of transit personnel and travel trainers for persons with disabilities.

Contractor: **Mass Transit Administration**
Location: Baltimore, Maryland

The goal of this project is to address crucial attitudinal, behavioral, and informational issues that impact on the use and delivery of accessible fixed route services through outreach, marketing, and training.

Contractor: **Buckeye Paralyzed Veterans of America**
Location: Euclid, Ohio

The project will conduct classroom training for consumers, one-on-one travel orientation and training using "travel buddies", and will conduct sensitivity training of transit personnel.

Contractor: **Easter Seal Sqciety of Tennessee**
Location: Chattanooga, Tennessee

The specific goal of this project is the development and maintenance of a non-rigid, 24 hour response time to be accomplished through a system of visual mapping of the ridership, vehicle routes and times, and the dignified transfer of clients.

Contractor: **Massachusetts Bay Transportation Authority**
Location: Boston, Massachusetts

This project will demonstrate the implementation of an emergency evacuation procedure for the safe evacuation of passengers with disabilities, especially those who use wheelchairs on rapid transit lines.

Contractor: **San Antonio Independent Living Services**
Location: San Antonio, Texas

This project will identify a pilot group of consumers with disabilities that will be committed not only to training and use of fixed route bus transportation, but also to begin a pyramidal approach to peer training.

Contractor: **Katherine McGuinness and Associates**
Location: Waltham, Massachusetts

This project will convene a working group of all of the local transit agencies, water transportation providers, and access advocacy groups to negotiate regulations for access to public water transportation facilities.

Contractor: **Hiram G. Andrews Center**
Location: Johnstown, Pennsylvania

The goal of this project is to design and carry out attitudinal, awareness and interactive training programs for transit personnel to raise sensitivity to persons with "hidden" disabilities.

Contractor: **Southeastern Pennsylvania Transportation Authority**
Location: Philadelphia, Pennsylvania

The goals of this project are to 1) develop a low cost, modular partial high level platform and ramp; 2) purchase and modify bridgeplates to cross the gap between car and platform; 3) develop a training video for transit personnel and; 4) stimulate consumer participation in the planning process.

Contractor: **Regional Transportation Commission**
Location: Reno, Nevada

The goal of this project is to develop a program to teach people with disabilities to make effective use of accessible public transportation services in the Reno-Sparks metropolitan area and provide them with skills applicable to other public transportation systems.

Contractor: **Ecosometrics**
Location: Bethesda, Maryland

This project will develop a program to train consumers with disabilities to utilize both fixed route transit and rural public transit services and will develop a plan to ensure accessibility over the long term.

Contractor: **Kalamazoo Handicappers United**
Location: Kalamazoo, Michigan

This project will conduct needs identification in order to promote continued and increasing handicapped transportation program emphasis and to provide both the public and private service providers a sound basis to scale and design systems.

Contractor: **Goodwill Industries of Mid-Eastern Pennsylvania**
Location: Shillington, Pennsylvania

This project will develop an Employment and Carpooling Program that matches the transportation needs of individuals with disabilities with volunteers in the community to develop and implement an on-going training program for individuals with disabilities.

Contractor: **Florida Alliance for Employment of the Handicapped**
Location: Tallahassee, Florida

This project will develop a method for determining the need for accessible transportation which can be used at the operations level and which includes key persons in the local community.

Contractor: **New Jersey Transit**
Location: Newark, New Jersey

This project will develop a transfer fare policy which provides a reduced transfer fare for paratransit/transit trips; develop key transfer points to encourage safe and convenient passenger transfers between vehicles; and promote the use of vehicle to vehicle transfer from paratransit to fixed route transit.

Contractor: **Services for Independent Living**
Location: Cleveland, Ohio

This project will develop a universal, safe and easy to use securement system and will establish design, testing and evaluation criteria for the acceptability of the system by people with disabilities.

Contractor: **Access-A-Ride**
Location: New York, New York

This project will conduct a multi-ethnic outreach effort to enhance the mobility of persons with disabilities living in low-income neighborhoods through the translation of materials into Spanish and the creation of a new rider "buddy" program.

Contractor: **League of Human Dignity**
Location: Omaha, Nebraska

This project will establish and implement a program to inform and educate the public and persons with various types of disabilities about the availability of a new partially lift equipped fixed-route bus service and will also develop and provide transportation services training to persons with disabilities.

Contractor: **The Kennedy Center**
Location: Bridgeport, Connecticut

This project will provide an evolving mobility training and peer support program to individuals with a disability and will assist the Greater Bridgeport Transit District in their efforts to assess and test a free transfer mechanism between fixed route service and paratransit service.

Contractor: **Focus on Community Understanding and Services**
Location: Columbus, Ohio

This project will train consumers with disabilities and transit personnel, and will conduct marketing and outreach programs. It will do this through hands-on training and the use of audio tapes.

Contractor: **Easter Seal Society of Utah**
Location: Salt Lake City, Utah

This program will assist potential users of fixed route accessible transit services in the urbanized area of Utah to choose to ride through a holistic approach to the technical and emotional aspects of the use of the system.

Contractor: **Community Council of Phoenix**
Location: Phoenix, Arizona

The purpose of this project is to improve the mobility of persons with disabilities by increasing trips on wheelchair accessible bus routes operated by the Phoenix Transit System through outreach, education, and marketing programs.

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1350 New York Avenue N.W., Suite 415
Washington, D.C. 20005
202 347.3066
202 347.7385 (TDD)

PROJECT ACTION

LIST OF PUBLICATIONS

Project ACTION Reconnaissance Survey - Now for the first time, transit officials and consumers with disabilities finally have access to valuable data and informational resources on the accessibility activities of a substantial sampling of transit systems. This survey of 112 transit systems, gives a comprehensive overview of major trends and patterns in the provision of accessible transportation services and a wealth of information on the accessibility activities of individual transit agencies. This document is truly a crucial reference book for any community concerned with implementation of the Americans with Disabilities Act and the provision of accessible transportation services.

Project ACTION's Combined Research Findings - Transit planners, disability advocates and consumers will find this unique resource an important tool in assessing local accessibility efforts. The Combined Research Findings package provides a valuable overview of the most critical accessibility needs identified by researchers, information on innovative initiatives from around the country, and insight into the views of disability advocates and transit practitioners about accessible transportation. It also includes a comprehensive literature review that allows practitioners to get the information they want and need.

Securement of Wheelchairs and Other Mobility Aids on Transit Vehicles - One of the most pervasive technological problems faced by both transit and disability interests is the difficulty in securing wheelchairs and other mobility devices on accessible public transit vehicles. Project ACTION, together with the Architectural and Transportation Barriers Compliance Board, has developed a brochure to assist local and regional transit authorities in coping with this dilemna. The brochure provides information on the successful policies and equipment two transportation authorities have developed over a period of more than ten years. This brochure provides an exciting opportunity for other transit systems to build upon the experience which these two transit systems have developed.

Project ACTION Update - This quarterly newsletter serves as a valuable resource to approximately 3500 transit authorities, consumers, and advocates of accessible transportation services. Project ACTION Update serves as a vital information link; allowing community transit authorities across the country to learn about and network with one another. It provides up-to-date information on innovative initiatives in the field of accessible transportation, shares important research findings, keeps readers informed of key legislative issues and events, as well as the latest Project ACTION initiatives.

Project ACTION Research Activities

- COMBINED RESEARCH RESULTS: In May, 1990, Project ACTION published its Combined Research Findings package, an important tool in assessing local accessibility efforts. A unique resource for transit planners, disability advocates, and consumers in general, the research package includes:

  - Indepth **interviews** with Project ACTION steering committee members and others who have a national perspective on issues involving transportation services for people with disabilities;
  - Results of a **questionnaire** administered to P.A. resource council members;
  - A comprehensive **literature review**, including abstracts of previous research;
  - Information on successful accessibility programs from around the country including **innovative initiatives**; and
  - A **critical needs analysis** outlining the most urgent needs as identified by researchers.

- RECONNAISSANCE SURVEY: Also in May, 1990, Project ACTION published the results of a survey of 112 transit systems, providing a comprehensive overview of major trends and patterns in the provision of accessible transportation services and a wealth of information on the accessibility activities of individual transit agencies.

Project ACTION Request for Proposals

Project ACTION reached a major milestone on June 29, 1990, with the distribution of our request for proposals (RFP). The RFP provides for $1.8 million in funding for local demonstration projects promoting public transportation accessibility. Over 1,500 organizations and individuals received a RFP. By the October 1, 1990 filing deadline, 82 proposals were submitted with a total request of $6.7 million. 25 local demonstration activities have been funded for 1991.

The RFP invited proposals which addressed a wide range of accessibility issues including attitudinal, behavioral, informational, and physical barriers to accessible public transportation. Many of the proposals were quite innovative in their responses to these challenges. For instance:

- One project intends to demonstrate the implementation of an emergency evacuation procedure for the safe evacuation of passengers with disabilities, especially those who use wheelchairs on rapid transit systems;

- Another project intends to utilize persons with disabilities as "travel buddies" to provide one-on-one travel orientation and peer training to consumers with disabilities and will conduct interactive training for transit personnel and management to increase their sensitivity to persons with disabilities;

- A project will conduct a multi-ethnic outreach effort to enhance the mobility of disabled persons living in low-income neighborhoods; and,
- One project intends to design and construct one or more prototypes of a securement/restraint system for mobility aids on public transportation.

Project ACTION Publications: Project ACTION has published a number of materials which serve as valuable resources for transit providers, consumers, and advocates who need comprehensive information on accessibility issues in transportation. Project ACTION publications include:

- Securement of Wheelchairs and Other Mobility Aids on Transit Vehicles
- Reconnaissance Survey
- Combined Research Results
- "Project ACTION Update" (Quarterly Newsletter)

ATTACHMENT B

The Power To Overcome

National Easter Seal Society
Office of Governmental Affairs

1350 New York Avenue N.W., Suite 415
Washington, D.C. 20005
202 347.3066
202 347.7385 (TDD)

PROPOSAL FOR CONTINUATION AND EXPANSION OF PROJECT ACTION

Project ACTION is a federally funded research and demonstration program intended to improve access to mass transportation services for people with disabilities through local activities involving disability and transit interests. Project ACTION, and the programs which it funds, will develop and refine the tools and techniques necessary to implement new federal mass transit policies for people with disabilities as required by the ADA. Unfortunately, no additional funding is available to extend Project ACTION initiatives beyond its original mandate.

The National Easter Seal Society proposes a continuation and expansion of Project ACTION. One approach, to ensure reliability and stability in future funding as the needs of the ADA become more apparent would be to designate funding under Section 3 of the Urban Mass Transportation Act of 1964, as amended, in the amount of 1/5 of 1% of the authorization for the continuation and expansion of Project ACTION in order to conduct technical assistance, ongoing and new demonstration programs, research development, support of technological innovations, and public education.

Under a continued and expanded Project ACTION, major activities will include:

- ongoing demonstration programs (similar in nature to those that have been funded by Project ACTION in 1991) which demonstrate practical approaches to overcoming barriers to transportation accessibility;
- support of future innovations, especially in the area of technology development;
- technical assistance on general accessibility issues to transit authorities and consumers, as well as assistance specifically geared towards helping communities with implementation of the ADA. This includes on-site technical assistance for those communities where intensive help is needed. This technical assistance could be provided in a number of ways, including the use of peer groups or by sending experienced representatives from a community that has successfully dealt with an access issue to another community; and
- information dissemination and sharing through the Project ACTION newsletter and its publications, the extensive nationwide affiliate network of the National Society, and Project ACTION participation in seminars.

This approach is generally consistent with the directives outlined by the Congress and Administration as regards the ADA. The Senate Committee on Labor and Human Resources identified in its Report on the ADA the following as crucial elements in the nondiscriminatory provision of transportation to people with disabilities: adequate training of maintenance personnel and bus operators, sensitivity training of all personnel which stresses the importance of providing transportation, and creative marketing strategies. (P 46).

The Urban Mass Transportation Administration cites as one of its main objectives for 1991 the enhancement of transportation accessibility and mobility for persons with a disability and other "transportation handicapped Americans". In its Agenda for the UMTA's Transit Planning and Research Program, UMTA cited the following issues as critical to its efforts to increase mobility and access: market analysis to provide evaluation and preparation toward promulgation of regulations under the Americans with Disabilities Act; identification of transit access needs to pinpoint target areas for accessibility improvements, guidance to assist transit system officials in their implementation of ADA requirements; development and introduction of equipment to ensure accessibility for all transit system users and to address access barriers; and training, outreach and marketing activities to help serve people with disabilities more effectively. (P 36).

Project ACTION was designed to improve the relations between the transit and disability communities as well as to augment the tools and techniques that can be used to improve transportation services to people with disabilities. Project ACTION is uniquely positioned to develop the tools and techniques that will help to effectively implement the ADA.

Senator **Cranston**. Thank you very much.

Mr. Pearson, Senator Sasser wanted to be here to introduce you, but he had to be somewhere else.

Mr. **Pearson**. We understand.

Senator **Cranston**. I welcome you for him.

Mr. Pearson is Southwest Human Resource Agency's representative from Henderson, TN.

We welcome you.

STATEMENT OF ALVIN PEARSON, SOUTHWEST HUMAN RESOURCE AGENCY, HENDERSON, TN, REPRESENTING COMMUNITY TRANSPORTATION ASSOCIATION OF AMERICA

Mr. **Pearson**. Thank you, sir.

Mr. Chairman, and members of the committee, I would just like to thank you for having me here.

I am representing—appearing on behalf of the Community Transportation Association of America, CTAA, a national organization of rural, small urban, and specialized transportation providers, as well as the Tennessee Association of Special Transportation, which we represent rural, small urban, and specialized transportation providers in the great State of Tennessee.

I am going to try to cut it down so there will not be so much time involved, but I would briefly like to say that we run a fleet in southwest Tennessee of 43 vehicles and employ 62 persons.

Of those 43 vehicles, I would like to reiterate that only 4 of them at this present time meet ADA requirements.

This is due to funding, of course.

To make everything short, first of all, we need more dollars.

In order to meet any requirements, all the new requirements that have been placed on us, we are going to have to have additional dollars from the Federal level, as well as a hand down from the State level.

As you know, before the last 10 or 15 years, rural mobile needs were given little recognition to having transit needs.

Now there is a growing awareness that they count for at least one-third of all the people who can be considered transit-dependent because of their lack of accessibility to adequate private transportation resources such as a family car or truck.

Enacted in 1978, the section 18 program made possible the clear demonstration that mobile needs are real and extensive in rural areas.

Provisions of rural transit outside urban areas has grown substantially in the last 10 years from an estimated 600 providers in 1980 to nearly 1,200 today.

Despite this dramatic growth, nearly half of the Nation's rural residents still live in counties without any public transit, and in many of those counties there is service but it is only limited to a few days a week.

CTA has estimated that the current transit service in rural areas is adequate to serve only about one-tenth of the basic transportation needs of an isolated and transit-dependent population.

There is a definite need for increased transit accessibility enacted this year, especially with the Americans With Disabilities Act, it constitutes both a recognition and a challenge.

The ADA recognizes the basic importance of mobility to the quality of life for all, and especially for persons with disabilities.

It is a challenge to make that mobile a reality by extending access to public transit to those previously unserved.

Meeting that challenge will require a real commitment from those of us who are transportation providers.

And, at last, it also commands a commitment on the part of Federal policymakers to provide the funding to make their essential pledge in ADA a reality.

I concur and agree with CTA's reauthorization recommendations.

In order to respond to the needs that I have, I have summarized, I think that first we must restore Federal transit investment and support to a more appropriate place on the roster of national priorities, and that we must restructure the ways in which that assistance is carried out better to serve the needs defined by our smaller communities and transit-dependent public.

I do not really need to spend much time on the first point.

We are painfully aware of the degree to which relative Federal support of transit has eroded in the last decade.

The results are manifest in our aging vehicle fleets, rising cost, and declining service.

They are also, we believe, a major factor in our Nation's declining economic competitiveness which is worsening environmental circumstances.

Federal transit investment has dropped to less than half of what it was 10 years ago.

Figured in terms of constant dollars, in terms of its relative importance in the Federal budget, it is only about one-fourth the level of a decade earlier.

In short, we would need to double—and I repeat—double the level of support for transit just to get back to where we were.

At the very least, we should start by spending down the current surplus in the mass transit account.

CTA has joined APTA and other transit advocators in endorsing increase in gas tax earmarked for said allocations.

Establishment of the Mobile Assistance Fund within the mass transportation account of the Highway Trust Fund to ensure adequate resources to meet our commitment to mobility for the disabled and others who are highly dependent on access to transit service.

This fund should be assigned a minimum percentage share of total mass transit account support.

Its assistance should be distributed to all areas on a formula basis, and it should be earmarked for the following purposes:

Continuation of current capital assistance to elderly and handicapped transportation through the section 16(b)(2) program;

Meeting parts of the incremental costs of making all fixed-route vehicles fully accessible as required by the Americans With Disabilities Act;

Meeting part of the incremental cost of continuing and expanding supplemental paratransit service as required by ADA;

Implementing and underwriting at State and local levels formal coordination mechanisms involving both public and human service transportation providers developed to carry in effect appropriate coordination of transportation arrangements.

The proposed Mobility Assistance Act of 1991 has six major provisions that are very important.

It stands to change the name of the Urban Mass Transportation Act to the Federal Public Transportation Administration in recognition that public transit programs are crucial to all Americans in all geographic areas.

It restores overall Federal transit funding to a level more reflective of its economic and social importance to the Nation.

It increases funding for rural areas to 7.5 percent, and for small urban areas to 10 percent of the total Federal transit budget.

It establishes a mobility assistance program to help finance the Nation's renewed commitment to accessible transportation under ADA and coordination of Federal human service and public transit programs.

It creates a State initiative block grant program for rural and small urban areas to provide assistance for new starts in communities that currently lack public transportation services or have suffered a decline in service.

It authorizes the Secretary of Transportation to lower Federal matching requirements to help low-income rural communities finance transportation services.

The proposed Mobility Act of 1991 establishes these objectives of serving basic economic and mobile needs, and would ensure that Federal transit funding becomes a more effective and equitable component of our national transportation policy.

UMTA reauthorization needs to realize the needs of our rural elderly, lack of affordable rural transit, and the need to equalize funding between urban and rural service delivery.

The only legislative proposal that exists at this present time that comes anywhere close to meeting the needs would be H.R. bill 1079, which has been sponsored in the House of Representatives by Representative Rahall.

This would be a start. It would be a great start.

On behalf of the Community Transportation Association of America and the Tennessee Association of Special Transportation, and all rural, specialized, and small urban systems, I would like to thank you for asking me to speak before this committee.

I hope that you will find this testimony informative, as well as educational.

Thank you.

[The complete prepared statement of Alvin Pearson follows.]

STATEMENT BY

ALVIN H. PEARSON

COMMUNITY SERVICE DIRECTOR
SOUTHWEST HUMAN RESOURCE AGENCY
AND
PRESIDENT
TENNESSEE ASSOCIATION OF SPECIAL TRANSPORTATION
SOUTHWEST TENNESSEE

ON BEHALF OF THE

COMMUNITY TRANSPORTATION ASSOCIATION OF AMERICA

BEFORE THE

SENATE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

AGENCY NAME: SOUTHWEST HUMAN RESOUCE AGENCY

CENTRAL OFFICE: HIGHWAY 45 NORTH

MAILING ADDRESS: P. O. BOX 264
HENDERSON, TENNESSEE 38340

PHONE NUMBER: (901) 989-5111

PLANNING AND DEVELOPMENT REGION: 8

LOCAL OFFICES:	SAVANNAH	(901) 925-5405
	BOLIVAR	(901) 658-7102
	BROWNSVILLE	(901) 772-4311
	HENDERSON	(901) 989-5111
	JACKSON	(901) 422-6508
	LEXINGTON	(901) 968-8074
	DECATURVILLE	(901) 852-4151

EXECUTIVE DIRECTOR: SAM DAWSON

COMMUNITY SERVICES DIRECTOR: ALVIN H. PEARSON

SERVICE PARAMETERS:

ANNUAL TRIPS/ACTIVE SERVICE VEHICLE (FY 1989) = 4,356

ANNUAL VEHICLE-MILES/TRIP (FY 1989) = 3.87

ANNUAL VEHICLE-MILES/ACTIVE SERVICE VEHICLE (FY 1989) = 16,898

ANNUAL TRIPS/1980 NONURBAN POPULATION (FY 1989) = 1.08

PERCENT TRIPS MADE BY RIDERS OVER 60 YEARS (FY 1989) = 53%

1980 NONURBAN POPULATION = 120,920

STATE-WIDE IN TENNESSEE WE ARE PRESENTLY OPERATING 370 VEHICLES

OF WHICH 67 ARE PARATRANSIT

1,478,682 TRIPS OF WHICH 12,866 MET ADA STANDARDS

TOTAL RURAL POPULATION OF WEST TENNESSEE 1,817,547

REAUTHORIZATION OF THE URBAN MASS TRANSPORTATION ACT

Mr. Chairman, Members of the Committee, my name is Alvin H. Pearson. I bring you greeting from the great state of Tennessee in which I work and reside in the southwestern portion. I am the Community Services Director of Southwest Human Resource Agency, where we operate a rural public transportation system serving eight counties with services to 21 (twenty-one) counties. I'am appearing on behalf of the Community Transportation Association of America (CTAA), a national organization of rural, small urban and specialized transporation providers, as well as the Tennessee Assoication of Special Transportation which represents rural,small urban and specialized transportation providers in the great state of Tennessee.

My own systems operates a flaet of 43 (forty-three) vehicles, employs 62 (sixty-two) persons and serves an area with a population of approximately 210,000 people. We provide 180,000 trips a year, largely on fixed-route service with a large growing demand response service. Like most other small urban and rural operators, our ridership is largely accounted for by children, women, senior citizens folks with low incomes and others who are almost entirely dependent on our bus service for their transportation more so than the average American citizen.

The process of reauthorizing our federal transit legislation and programs gives us an opportunity to reassess our existing policies and to respond to change. In that process, I hope we are successful in recognizing the changes that have occurred in our transportation needs since the last reauthorization and, as critical, I hope that we can meet the challenge that faces us to reduce our dependence on foreign oil by making a credible investment in the mass transit alternative to the private automobile.

Please keep in mind that those of us who operate transit services in the small urbanized areas have been in recent years squeezed between "the rock and a hardplace." The cost and demand for service has risen while the federal support for mass transit has declined. While small urbanized areas collectively account for 11 (eleven) to 12 (twelve) percent of the nation's population, we only receive abount 5 (five) to 6 (six) percent of federal transit assistance; just over 8 (eight) percent of formula assistance but only miniscule amount of discretionary capital assistance.

Our research indicates that the percentage of formula funds that now go to the small urban and rural areas of America reflect no more than a codification of where the money was going at the time these levels were originally authorized. These formulas do not, and never have reflected a distribution of funding based upon need, nation priorities or political reality.

Before the last 10 or 15 years, rural mobility needs were given little recognition to having transit needs. Now there is growing awareness that they account for at least a third of all the people who can be considered transit dependent because of their lack of access to adequate private transportation resources such as a family car or truck. Enactment in 1978 of the Sec. 18 program made possible the clear demonstration that mobility needs are real and extensive in rural areas. Provision of public transit outside urbanized areas has grown substantially in the last ten years, from an estimated 800 providers in 1980 to nearly 1,200 today.

Despite this dramatic growth, nearly half of the nation's rural residents still live in counties without any public transit service and in many of those counties whree there is service, it is limited to only portions of the county and frequently to only a few days of the week. CTAA has estimated that current transit service in rural areas is adequate to serve only about one-tenth of the basic transportation needs of an isolated and transit-dependent population.

There is a definite need for increased transit accessibility. Enactment this year of the Americans with Disabilities Act (ADA) constitutes both a recognition and a challenge. The ADA recognizes the basic importance of mobility to the quality of life for all, and specifically for persons with disabilities. It is a challenge to make that mobility a reality by extending access to public transit to those previously unserved. Meeting that challenge will require a real commitment from those of us who are transit providers. And, alas, it also commands a commitment on the part of federal policy makers to provide the funding to make their essential pledge in the ADA a reality.

I concure and agree with CTAA's reauthorization recommendations. In order to respond to the needs that I have summarized here, CTAA believes that we must restore federal transit investment and support to a more appropriate place on the rostr of national priorities and that we must restructure the ways in which that assistance is carried out to better serve the needs defined by our smaller communities and the transit dependent public.

I don't really need to spend much time on the first point. We are all painfully aware of the degree to which relative federal support of transit has eroded in the last decade. The results are manifest in our aging vehicle fleets, rising costs and declining services. They are also, we believe, a major factor in our nation's declining economic competitiveness and worsening environmental circumstances.

Federal transit investment has dropped to less than half of what it was ten years ago - figures in terms of constant dollars. In terms of its relative importance in the federal budget, it is only about one-fourth the level of a decade earlier. In short, we would need to double, I repeat, double the level of support for transit just to get back to where we were in 1980.

At the very least, we should start by spending down the current surplus in the Mass Transit Account. CTAA has joined APTA and other transit advocates in endorsing an increase in the gasoline tax earmarked for expanded transit assistance.

In terms of the restructuring needed in federal transit assistance, CTAA and its members urge that reauthorization include:

1) Allocation of at least 10 percent of total UMTA assistance to small urbanized areas - both to repair the damage from the underfunding of recent years and to meet the expanding needs of new and previously unserved small urban areas.

2) Allocation of at least 7.5 percent of total UMTA assistance to rural areas. The mobility needs of rural Americans have been seriously neglected over the years, contributing to economic stagnation and an increasing isolation from our national transportation network. In my own state of Tennessee all 95 (ninety-five) counties are currently served by a public transit system. It is a situation that is not common nation-wide. However, we are not able to give the quality service that our residents deserve. (Only about 20% get that service). The recommended level of 7.5 percent would still be far below rural America's share of both total and transit dependent populations.

   A combined allocation of 17.5 percent of total funds to small urban and rural America would come much closer to reflecting a distribution of funding based upon need, national priorities and political reality than today's formulas which reflect no more than a codification of the way things used to be.

3) Establishment of a Mobility Assistance Fund within the Mass Transit Account of the Highway Trust Fund to assure adequate resources to meet our commitment to mobility for the disabled and others who are highly dependent on access to transit service. This fund should be assigned a minimum percentage share of total Mass Transit Account support; its assistance should be distributed to all areas on a formula basis; and it should be earmarked for the following purposes:

   a) Continuation of current capital assistance to elderly and handicapped transportation through the Sec. 16(b)(2) program;

   b) Meeting part of the incremental costs of making all fixed route vehicles fully accessible as required by the Americans with Disabilities Act;

   c) Meeting part of the incremental costs of continuing and expanding supplemental paratransit services as required by ADA; and

d) Implementing and underwriting at the state and local level formal coordination mechanisms involving both public and human service transportation providers to develop and carry into effect appropriate coordinated transportation arrangements.

(1). What effect will the ADA have on the operations and cost of Mass transit?

Being a rural operator, I do see the need to meet all ADA requirements but the bottom line is that we need more money. First of all ADA will reduce the capacity of all operating transit units in general service to the public by the reduction of load capacity. Many of our rural routes require no assistance to disabled clients because their are non living on said routes. The requirement to equip all public transit vehicles is good in principle, however, the added cost and minimal need for wheelchair service on most rural routes makes the cost of the vehicle unrealistic to follow all encompassing federal policy. (Example) The cost of a 1990 ford 15-passenger van with 460 engine is $17,319.00 with a lift you can add $3,500.00 to $5,000.00 with extended roof you can add an additional $5,000.00 esclating the cost to approximately $27,319.00. Futhermore, with the added amenities the fuel consumption will drop from approximately 13 (thirteen) to 9 (nine) miles per gallon. We would be able to render the service as stated by the ADA act, but as shown our cost would escalate.

(2). How can we best facilitate coordination between public, private and non-profit transportation providers and funding sources?

Coordination between public transportation providers at all levels could be facilitated by continuing education meeting to identify service delivery needs and vacancies encounter by each provider. This would reduce the percieved threat that each seems to pose to the other. Knowledge of each other's mission would reduce tensions and concerns and allow each to coordinate his client needs with other provider. (Example) Here at Southwest HRA we comingle or combine funds from different programs to purchase vehicles. All programs pay their fair share of the total cost of opertion cost. (HHS which is Headstart and TDOT section 18 dollars are combined to purchase vehicles). All our clients ride the same vehicle. We try not to run special routes for Headstart, Medicaid, Senior Citizens, general public and dialysis. All ride the vans that are on their routes.

(3). How well does the Administration's proposal for reauthorizing the UMT act address the needs of the elderly and people with disabilities?

The proposed Mobility Assistance Act of 1991 increases the amount of transit funding available to rural and small urban efforts designed to address the transportation needs of the elderly and disabled.

Presently, roughly half of our nation's rural counties and almost one-third of our small cities are not served by public transit. Rural areas, which account for nearly 40% of the nation's population, currently receive less than 4% of federal transit funding. Small urban areas account for roughly 11% of the population, yet today receive less than 6% of federal transit dollars.

The purposed Mobility Assistance Act of 1991 is designed to correct this inequity in the allocation of transit assistance, without reducing funding to transit systems in major cities.

The unmet mobility needs of elderly and disabled citizens, who are largely transit dependent, is a concern that falls heavily on the shoulders of rural communities in which a disproportionate portion of elderly, low income, and disabled people reside. Targeted funding is critically needed to fully implement the vehicle accessibility and expanded paratransit requirements under the Americans with Disabilities Act (ADA).

The proposed Mobility Assistance Act of 1991 has six major provisions:

1. It changes the name of the Urban Mass Transportation Administration (UMTA) to the Federal Public Transportation Administration in recognition that public transit programs are critical to all Americans in all geographic areas.

2. It restores overall federal transit funding to a level more reflective of its economic and social importance to the nation.

3. It increases funding for rural areas to 7.5%, and for small urban areas to 10% of the total federal transit budget.

4. It establishes a Mobility Assistance Program to help finance the nation's renewed commitment to accessible transportation under ADA, and coordination of federal human service and public transit programs.

5. It creates a State Initiative Block Grant Program for rural and small urban areas to provide assistance for "new starts" in communities that currently lack public transit services or have suffered a decline in service.

6. It authorizes the Secretary of Transportation to lower local federal matching requirements -- to help low-income rural communities finance transportation services.

The proposed Mobility Assistance Act of 1991 accomplishes these objectives of serving basic economic and mobility needs, and would ensure that Federal transit funding becomes a more effective and equitable component of our national transportation policy.

(4). What specific legislative proposals can you suggest?

UMTA reauthorization needs to recognize the needs of our rural elderly, lack of afforable rural transit, and the need to equalize funding between urban, rural service delivery. The only legislative proposal that exist at this present time that comes anywhere close to meeting the needs would be H.R. Bill 1079 which has been sponsored in the House of Representatives on February 21, 1991 by Representative Rahall. This would be a start.

On behalf of the Community Transportation Association of America, and the Tennessee Association of Special Transportation, and all rural Specialized, and small urban Systems, I would like to thank you for asking me to speak before this Committee. I hope that you will find this testimony informative as well as educational.

STATEMENT OF TOM QUIGLEY, GENERAL MANAGER, GREATER BRIDGEPORT TRANSIT DISTRICT, BRIDGEPORT, CT

Mr. Quigley. First, I would like to address the effect that the Americans With Disabilities Act will have on mass transit operations and costs.

We start with the operational requirements of ADA.

The ADA requires all transportation systems to be ultimately fully accessible to individuals with disabilities because of its mandate that all new vehicles, that is, those purchased after August 26, 1990, and newly constructed or renovated buildings be readily accessible to individuals with disabilities, including wheelchair users.

For example, new buses must have lifts, new railcars must have foldup seats and storage space for wheelchairs, and depot platforms must be accessible.

Commuter rail and intercity rail systems must provide at least one accessible car per train.

Transportation providers are required to ensure, by January 26, 1992, a level of service to individuals with disabilities that is equivalent to the level of service provided to others.

Also, public entities must provide paratransit for those persons with disabilities who cannot use or access the regular transportation system, even when it becomes fully accessible.

As a result of the foregoing, rail and lift requirements alone will require $498 million per year.

The cost of this alone for the buses is $170 million a year.

The estimated 20-year cost to make transit rail systems accessible is $5.8 billion, with operating costs during that period of $800 million.

We have reviewed the ADA regulations proposed last week, and are developing our specific comments to the Department.

We would urge the committee to take a look at these regulations.

ADA regulations concerning providing services to the disabled must balance the needs of the entire community using mass transportation services with those of the disabled.

The costs, work, and obstacles in successfully implementing its requirements must also be recognized.

Additional funding will be necessary if transit systems are to meet these requirements while also meeting other service responsibilities.

If such funding is not provided, servicing the special needs of disabled persons would probably result in a significant reduction in the quality of public transportation overall.

We in Bridgeport, and the industry, as a whole, have accepted this law, and we must implement it as effectively as possible.

I feel that coordination between public, private, and nonprofit transportation providers and funding sources can best be facilitated by:

Eliminating the duplication of transportation services;

Improving use of underutilized equipment, facilities or expertise;

Taking advantage of volume purchasing power on major items ranging from vehicles to fuel;

Reducing the aggregate cost of providing transportation, with an increase in the number of trips provided;

Developing higher quality, more reliable transportation service; and

Encouraging municipal and nonprofit maintenance of effort with public transit coordination.

Mechanisms to facilitate coordination include:

Designate transit districts as lead agencies for developing and implementing coordinated programs;

Develop a competitive service procurement process to include the private sector;

Direct all agencies with funds for transportation toward coordination programs to determine how to achieve more efficient and cost-effective transportation services;

Develop a database of service providers; and

Develop performance standards.

I request the following legislative proposals be considered to promote the achievement of coordinated transit for the elderly and handicapped:

Require a uniform chart of accounts to standardize transportation cost accounting systems;

Amend title III of the Older Americans Act for a transportation provider to be able to charge its elderly riders a fare. This will generate required non-Federal matching funds;

Funding for 9,130 vans at $45,000 each are needed for 1992 to 1997;

Modification of 13(c) labor protections to stimulate private participation with a competitive atmosphere;

Establish tax incentives to encourage private participation;

Establish a funding program for the development of coordinated regional systems;

Standardize the elements related to vehicle accessibility: lifts, ramps, tiedowns, aisle widths, seat locations, flooring, and emergency exit locations;

Support the proposed Mobility Assistance Act; and

Eliminate restriction of 16(b)(2) leasing of vehicles to public agencies.

In conclusion, I will address how well the administration's proposal addresses the needs of the elderly and people with disabilities.

Candidly, not well at all.

The UMTA budget would increase by only 2.2 percent.

If the Federal Government does not expand that level of commitment, the ADA will surely become a hollow promise.

The administration's proposal would cut transit spending in real terms over the next 5 years.

Section 18 assistance for rural areas would grow by 36 percent, however offsetting section 3 reductions are proposed.

The section 16(b)(2) program for elderly and handicapped transit would rise by 2 percent.

As I previously noted, transit districts are ineligible for 16(b)(2) funds.

The elimination of operating assistance for the largest urban areas, 1 million and more population, is proposed.

The recommendations would allow smaller areas to incur expenses for operations up to their 1991 operating cap levels.

In its Proposed Rule for Transportation for Individuals With Disabilities, published in the April 4, 1991, Federal Register, the Department of Transportation estimates the annual cost of providing complementary paratransit service to ADA-eligible persons by urbanized area size.

If these costs are multiplied by the number of areas, the resulting cost is $923 million per year.

If we throw in the rural areas, it comes up to $1 billion a year.

I mentioned earlier that rail and lift requirements, alone, would require over $98 million per year. That is far more than the $50 million per year in section 3 funds proposed.

It also must be noted that for social service programs with important transportation elements, the fiscal year 1992 budget recommendations were generally frozen at this year's levels.

Against this, 85 percent of the National Association of Area Agencies on Aging Members regard transportation as a significant unmet need, and transit received the second highest ranking in terms of importance.

The challenges are growing.

In 1987, there were 29.8 million elderly people.

By the year 2030, the elderly population will number 65.6 million, over double its size in 1987.

Seventy percent of the disabled are not working; however, 67 percent are looking for employment.

To summarize, mandates for enhanced and expanded transit services are one thing.

Funding for services mandated is another.

Legislative incentives are needed to facilitate elderly and disabled transportation resource coordination.

The administration's present proposal for reauthorizing the UMTA Act leaves the promises of ADA and its mandates unfulfilled.

Thank you for the opportunity to present my comments on ADA, elderly and disabled coordination, reauthorization, and related legislative recommendations.

[The complete prepared statement of Tom Quigley follows:]

TESTIMONY TO THE SENATE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

APRIL 18, 1991

STATEMENT BY:

THOMAS QUIGLEY

GENERAL MANAGER

GREATER BRIDGEPORT TRANSIT DISTRICT

BRIDGEPORT, CT

THANK YOU FOR INVITING ME TO TESTIFY ON ISSUES RELATING TO ELDERLY AND HANDICAPPED TRANSIT.

FIRST, I WOULD LIKE TO ADDRESS THE EFFECT THAT THE AMERICANS WITH DISABILITIES ACT WILL HAVE ON MASS TRANSIT OPERATIONS AND COSTS.

WE START WITH THE OPERATIONAL REQUIREMENTS OF ADA. THE ADA REQUIRES ALL TRANSPORTATION SYSTEMS TO BE ULTIMATELY FULLY ACCESSIBLE TO INDIVIDUALS WITH DISABILITIES BECAUSE OF ITS MANDATE THAT ALL NEW VEHICLES (THAT IS, THOSE PURCHASED AFTER AUGUST 26, 1990) AND NEWLY CONSTRUCTED OR RENOVATED BUILDINGS BE READILY ACCESSIBLE TO INDIVIDUALS WITH DISABILITIES, INCLUDING WHEELCHAIR-USERS. FOR EXAMPLE, NEW BUSES MUST HAVE LIFTS, NEW RAIL CARS MUST HAVE FOLD-UP SEATS AND STORAGE SPACE FOR WHEELCHAIRS, AND DEPOT PLATFORMS MUST BE ACCESSIBLE. COMMUTER RAIL AND INTERCITY RAIL SYSTEMS MUST PROVIDE AT LEAST ONE ACCESSIBLE CAR PER TRAIN.

TRANSPORTATION PROVIDERS ARE REQUIRED TO INSURE, BY JANUARY 26, 1992, A LEVEL OF SERVICE TO INDIVIDUALS WITH DISABILITIES THAT IS EQUIVALENT TO THE LEVEL OF SERVICE PROVIDED TO OTHERS. ALSO, PUBLIC ENTITIES MUST PROVIDE PARATRANSIT FOR THOSE PERSONS WITH DISABILITIES WHO CANNOT USE OR ACCESS THE REGULAR TRANSPORTATION SYSTEM, EVEN WHEN IT BECOMES FULLY ACCESSIBLE.

AS A RESULT OF THE FOREGOING, RAIL AND LIFT REQUIREMENTS ALONE WILL REQUIRE OVER $498 MILLION PER YEAR. THE TRANSIT INDUSTRY NEEDS 8,250 NEW BUSES EVERY YEAR. ADDITIONALLY 3,100 OLDER BUSES NEED TO

BE REHABILITATED EACH YEAR. THE COSTS OF LIFTS ALONE FOR THESE BUSES IS $170 MILLION PER YEAR. THE ESTIMATED TWENTY-YEAR COST TO MAKE TRANSIT RAIL SYSTEMS ACCESSIBLE IS $5.8 BILLION, WITH OPERATING COSTS DURING THAT PERIOD OF $800 MILLION. THOSE COSTS AVERAGE OUT TO $290 MILLION PER YEAR AND $38 MILLION PER YEAR RESPECTIVELY.

WE HAVE REVIEWED THE ADA REGULATIONS PROPOSED LAST WEEK AND ARE DEVELOPING OUR SPECIFIC COMMENTS TO THE DEPARTMENT.

WE RECOGNIZE THAT THE DEPARTMENT DOES NOT HAVE DISCRETION TO AVOID IMPOSING STATUTORY REQUIREMENTS. HOWEVER, FURTHER WORK IS CLEARLY NECESSARY TO MINIMIZE THE ADDITION OF COSTS BEYOND WHAT THE STATUTE ITSELF IMPOSES. WE WOULD URGE THE COMMITTEE TO TAKE A LOOK AT THESE REGULATIONS WHICH WOULD IMPLEMENT THE LAW CONGRESS WROTE.

ADA REGULATIONS CONCERNING PROVIDING SERVICES TO THE DISABLED MUST BALANCE THE NEEDS OF THE ENTIRE COMMUNITY UTILIZING MASS TRANSPORTATION SERVICES WITH THOSE OF THE DISABLED. THE COSTS, WORK, AND OBSTACLES IN SUCCESSFULLY IMPLEMENTING ITS REQUIREMENTS MUST ALSO BE RECOGNIZED. ADDITIONAL FUNDING WILL BE NECESSARY IF TRANSIT SYSTEMS ARE TO MEET THESE REQUIREMENTS WHILE ALSO MEETING OTHER SERVICE RESPONSIBILITIES. IF SUCH FUNDING IS NOT PROVIDED, SERVICING THE SPECIAL NEEDS OF DISABLED PERSONS WOULD PROBABLY RESULT IN A SIGNIFICANT REDUCTION IN THE QUALITY OF PUBLIC TRANSPORTATION OVERALL.

WE IN BRIDGEPORT AND IN THE INDUSTRY AS A WHOLE HAVE ACCEPTED THIS AS LAW AND WE MUST IMPLEMENT IT AS EFFECTIVELY AS POSSIBLE.

I FEEL THAT COORDINATION BETWEEN PUBLIC, PRIVATE AND NON-PROFIT TRANSPORTATION PROVIDERS AND FUNDING SOURCES CAN BEST BE FACILITATED BY:

1. ELIMINATING DUPLICATION OF TRANSPORTATION SERVICES;
2. IMPROVING USE OF UNDERUTILIZED EQUIPMENT, FACILITIES OR EXPERTISE;
3. TAKING ADVANTAGE OF VOLUME PURCHASING POWER ON MAJOR ITEMS RANGING FROM VEHICLES TO FUEL;
4. REDUCING THE AGGREGATE COST OF PROVIDING TRANSPORTATION, WITH AN INCREASE IN THE NUMBER OF TRIPS PROVIDED;
5. DEVELOPING HIGHER QUALITY, MORE RELIABLE TRANSPORTATION SERVICE.
6. ENCOURAGING MUNICIPAL AND NON-PROFIT MAINTENANCE OF EFFORT WITH PUBLIC TRANSIT COORDINATION.

COMMON PROBLEMS TO BE ADDRESSED INCLUDE:

1. LACK OF INTERTOWN TRAVEL;
2. RIDERSHIP ELIGIBILITY RESTRICTIONS;
3. LOW VEHICLE USAGE;
4. SCHEDULING AND DISPATCHING INEFFICIENCIES;
5. HIGH OPERATING COSTS;
6. VEHICLE MAINTENANCE AND REPAIR PROBLEMS.

MECHANISMS TO FACILITATE COORDINATION INCLUDE:

- O DESIGNATE TRANSIT DISTRICTS AS LEAD AGENCIES FOR DEVELOPING AND IMPLEMENTING COORDINATED PROGRAMS;
- O DEVELOP A COMPETITIVE SERVICE PROCUREMENT PROCESS TO INCLUDE THE PRIVATE SECTOR;

O DIRECT ALL AGENCIES WITH FUNDS FOR TRANSPORTATION TOWARDS COORDINATION PROGRAMS TO DETERMINE HOW TO ACHIEVE MORE EFFICIENT AND COST-EFFECTIVE TRANSPORTATION SERVICES;

O DEVELOP A DATABASE OF SERVICE PROVIDERS;

O DEVELOP PERFORMANCE STANDARDS.

I REQUEST THAT THE FOLLOWING LEGISLATIVE PROPOSALS BE CONSIDERED TO PROMOTE THE ACHIEVEMENT OF COORDINATED TRANSIT FOR THE ELDERLY AND HANDICAPPED:

O REQUIRE A UNIFORM CHART OF ACCOUNTS TO STANDARDIZE TRANSPORTATION COST ACCOUNTING SYSTEMS;

O AMEND TITLE III OF THE OLDER AMERICANS ACT FOR A TRANSPORTATION PROVIDER TO BE ABLE TO CHARGE ITS ELDERLY RIDERS A FARE. THIS WILL GENERATE REQUIRED NON-FEDERAL MATCHING FUNDS;

O FUNDING FOR 9,130 VANS AT $45,000 EACH NEEDED, 1992 TO 1997;

O MODIFICATION OF 13(C) LABOR PROTECTIONS TO STIMULATE PRIVATE PARTICIPATION WITH A COMPETITIVE ATMOSPHERE;

O ESTABLISH TAX INCENTIVES TO ENCOURAGE PRIVATE PARTICIPATION;

O ESTABLISH A FUNDING PROGRAM FOR THE DEVELOPMENT OF COORDINATED REGIONAL SYSTEMS;

O STANDARDIZE THE ELEMENTS RELATED TO VEHICLE ACCESSIBILITY - LIFTS, RAMPS, TIE DOWNS, AISLE WIDTHS, SEAT LOCATIONS, FLOORING, AND EMERGENCY EXIT

LOCATIONS;

- O SUPPORT THE PROPOSED MOBILITY ASSISTANCE ACT;
- O ELIMINATE RESTRICTION OF 16(b)(2) LEASING OF VEHICLES TO PUBLIC AGENCIES.

IN CONCLUSION, I WILL ADDRESS HOW WELL THE ADMINISTRATION'S PROPOSAL ADDRESSES THE NEEDS OF THE ELDERLY AND PEOPLE WITH DISABILITIES. CANDIDLY, NOT WELL AT ALL!

THE UMTA BUDGET WOULD INCREASE BY ONLY 2.2 PERCENT. IF THE FEDERAL GOVERNMENT DOES NOT EXPAND THAT LEVEL OF COMMITMENT, THE ADA WILL SURELY BECOME A HOLLOW PROMISE. THE ADMINISTRATION'S PROPOSAL WOULD CUT TRANSIT SPENDING IN REAL TERMS OVER THE NEXT FIVE YEARS. SECTION 18 ASSISTANCE FOR RURAL AREAS WOULD GROW BY 36 PERCENT; HOWEVER, OFFSETTING SECTION 3 REDUCTIONS ARE PROPOSED. THE SECTION 16(b)(2) PROGRAM FOR ELDERLY AND HANDICAPPED TRANSIT WOULD RISE BY 29 PERCENT. AS I PREVIOUSLY NOTED, TRANSIT DISTRICTS ARE INELIGIBLE FOR 16(b)(2) FUNDS.

THE ELIMINATION OF OPERATING ASSISTANCE FOR THE LARGEST URBAN AREAS, ONE MILLION AND MORE POPULATION, IS PROPOSED. THE RECOMMENDATIONS WOULD ALLOW SMALLER AREAS TO INCUR EXPENSES FOR OPERATIONS UP TO THEIR 1991 OPERATING CAP LEVELS.

IN ITS PROPOSED RULE FOR TRANSPORTATION FOR INDIVIDUALS WITH DISABILITIES, PUBLISHED IN THE APRIL 4, 1991 FEDERAL REGISTER, THE DEPARTMENT OF TRANSPORTATION ESTIMATES THE ANNUAL COST OF PROVIDING COMPLEMENTARY PARATRANSIT SERVICE TO ADA-ELIGIBLE PERSONS BY URBANIZED AREA SIZE. IF THESE COSTS ARE MULTIPLIED BY THE NUMBER OF AREAS, THE RESULTING COST IS $923 MILLION PER YEAR. THE

ADDITIONAL COST FOR RURAL AREAS SHOULD DRIVE THE TOTAL FIGURE TO WELL OVER $1 BILLION PER YEAR.

I MENTIONED EARLIER THAT RAIL AND LIFT REQUIREMENTS ALONE WOULD REQUIRE OVER $498 MILLION PER YEAR. THAT IS FAR MORE THAN THE $50 MILLION PER YEAR IN SECTION 3 FUNDS PROPOSED.

IT ALSO MUST BE NOTED THAT FOR SOCIAL SERVICE PROGRAMS WITH IMPORTANT TRANSPORTATION ELEMENTS, THE FY '92 BUDGET RECOMMENDATIONS WERE GENERALLY FROZEN AT THIS YEAR'S FUNDING LEVELS. AGAINST THIS, 85 PERCENT OF THE NATIONAL ASSOCIATION OF AREA AGENCIES ON AGING MEMBERS REGARD TRANSPORTATION AS A SIGNIFICANT UNMET NEED, AND TRANSIT RECEIVED THE SECOND HIGHEST RANKING IN TERMS OF IMPORTANCE.

THE CHALLENGES ARE GROWING. IN 1987, THERE WERE 29.8 MILLION ELDERLY PEOPLE, AND IN THE YEAR 2000 THAT NUMBER IS EXPECTED TO RISE TO 34.9 MILLION. BY THE YEAR 2030, THE ELDERLY POPULATION WILL NUMBER 65.6 MILLION, OVER DOUBLE ITS SIZE IN 1987.

SEVENTY PERCENT OF THE DISABLED ARE NOT WORKING; HOWEVER, SIXTY-SEVEN PERCENT ARE LOOKING FOR EMPLOYMENT.

TO SUMMARIZE, MANDATES FOR ENHANCED AND EXPANDED TRANSIT SERVICES ARE ONE THING. FUNDING THE SERVICES MANDATED IS ANOTHER. LEGISLATIVE INCENTIVES ARE NEEDED TO FACILITATE ELDERLY AND DISABLED TRANSPORTATION RESOURCE COORDINATION. THE ADMINISTRATION'S PRESENT PROPOSAL FOR REAUTHORIZING THE UMTA ACT LEAVES THE PROMISES OF THE ADA AND ITS MANDATES UNFULFILLED.

THANK YOU FOR THE OPPORTUNITY TO PRESENT MY COMMENTS ON ADA, ELDERLY AND HANDICAPPED COORDINATION, REAUTHORIZATION, AND RELATED LEGISLATIVE RECOMMENDATIONS.

Senator Cranston. Thank you.

We'll now hear from Alfred Savage, the executive director of the Chicago Transit Authority.

STATEMENT OF ALFRED H. SAVAGE, EXECUTIVE DIRECTOR, CHICAGO TRANSIT AGENCY

Mr. SAVAGE. Thank you, Mr. Chairman.

Thank you for the opportunity of addressing you today.

I'm not going to use my presentation.

I think you've had enough presentations today.

But I just would like to add a few comments to it.

And I probably would put those into three categories.

The first is capital.

And the problem that we're dealing with here, is we're dealing with a sick industry.

Philadelphia is talking about closing down.

New York is talking about a tremendous crisis.

Chicago's got a financial crisis that is probably equivalent to the national debt.

We could use $6 billion tomorrow, just to modernize our elevated system.

To impose, on top of that, the ADA act——

And let me first go on record that I support the act.

But to impose it on us with no financial support, or the financial support that has been set out in the reauthorization of $50 million is hilarious.

It will cost us to change our stations, just to meet the act, and we estimated before the guidelines came out, somewhere in the range of $300 million.

And when I see the guidelines, I'm sure that we're low on that figure.

Now, at the same time, I've got a system that was built in the late 1800s, 1890 was when some of my elevated was put in, that absolutely is crying for capital investment.

So I desperately request that you consider assistance of financial nature in relation to this act.

Secondly, is operations.

We run the largest paratransit operation in the United States.

We have 800,000 rides a year.

I was fortunate enough to be the chief officer of the Toronto Transit System before I became head of Chicago, which has even a more elaborate paratransit system.

Senator Cranston. Toronto?

Mr. Savage. Toronto, Canada.

I know that the cost of paratransit will grow very rapidly in the urban communities.

What happened to us in Toronto is a good example.

What happened in Toronto was, when we honed and developed probably the most sophisticated paratransit service in North America, people moved to Toronto because of the access to a better standard of living.

If you're confined to a wheelchair, and you're living in a small town, the opportunities are not available to you that are in a big city.

If we provide the transit, people will move to us.

So the load is greater on the urban communities than it is on the rural communities, once the system reaches its maximum capacity.

And with transportation congestion that we have, almost gridlocked in the cities, the cost per trip becomes horrendous.

If you look today at, for instance, Stockholm or Berlin, their costs are somewhere around $70 American per trip.

Now, at the present time, we're $17 in Chicago.

We're doing it by private enterprise.

But from my observations and from what my auditors tell me, the companies that are running it are almost on the edge of bankruptcy.

We estimate that we'll probably be up somewhere near the Toronto cost of $30 a trip.

Again, I plead with you, when putting this act in place, provide some funds to support us in this operation.

Second is, in going back to the same thing, David mentioned earlier that Chicago was putting 790 buses into service this year with lifts.

But you have to remember that that isn't half of my bus fleet.

And because of the shortage of capital, I haven't been able to anticipate the purchase of any more buses for 6 years.

That would mean that it will be 6 years from now before I can put another wheelchair lift equipped bus into service, if I don't get some additional funding.

My brief covers a lot of other areas, sir.

But my main thrust today is to ask you to consider the financial support that's required for this Act.

And also, in the reauthorization, to look at the needs of our industry.

Thank you.

[The complete prepared statement of Alfred Savage follows:]

Testimony for the U.S. Senate
Banking, Housing and Urban Affairs Committee
- Subcommittee on Housing and Urban Affairs -
Presented by
Alfred H. Savage
Executive Director, Chicago Transit Authority
April 18, 1991

Mr. Chairman, good morning. My name is Alfred Savage. I am the Executive Director of the Chicago Transit Authority. The CTA is one of the largest transit systems in North America. We provide more than 581 million passenger trips each year on our bus and rail system. Our system provides service to the City of Chicago and suburban commuters in the region.

The CTA is also the largest provider of paratransit service in the nation, offering more than 800,000 passenger trips annually. We are currently beginning a new phase of our service for the disabled. This year, the CTA began mainline lift bus service, allowing the disabled increased access throughout our system. The CTA is putting in service this year 976 new buses, all equipped with wheelchair lifts. This is one demonstration of the CTA's commitment to the goals of the Americans with Disabilities Act.

However, the CTA is also one of the oldest transit systems in North America. Many parts of our rail system date back to the 1890s. Maintaining this old system in a safe and reliable condition is one of our most pressing tasks. The lack of adequate capital funding for this objective is one of our greatest concerns.

The CTA has reviewed the proposed ADA regulations regarding accessibility for rapid transit systems. We are estimating that of our 143 stations, at least one-third of them could qualify as "key stations" under the ADA. The consequence of this, given the overall capital needs of the CTA, would be dramatic.

Consider the realities facing the CTA. 87 stations were built before 1921, with 78 of those on elevated platforms. 17 subway stations were built in the 1940s and 1950s. Obviously, when all these stations were constructed, many by private companies, no thought was given to accessibility for the disabled community. Literally, each of these stations poses a unique design challenge, some requiring major renovation before accessibility could be achieved.

The CTA has weighed these facts against the ADA's timetable requiring key station accessibility within three to twenty years. An accelerated station renovation program would compete with critical capital improvements needed to ensure the continued safe operation of our system for all passengers. As a result, the CTA has serious concerns about its ability to fund a successful station program without a large infusion of capital dollars.

On the operational side, the CTA sees increasing difficulties in meeting the paratransit requirements of the ADA. Although we recognize that as the disabled community is integrated into mainline service, the total number of paratransit trips nationwide will level off, or decrease. But, we anticipate that urban areas, like Chicago, will begin to draw increasing numbers of "paratransit eligible" citizens due to the high quality of life partly associated with a better paratransit service.

The paratransit service criteria set forth in the ADA supports my view that the cost for this type of service will grow very rapidly. We will be required to shorten our response time, expand our coverage area and increase the service times in order to provide comparable service.

The historical increase in paratransit cost is a phenomena I have seen firsthand in many other countries around the world. As a consultant studying the issue of providing public transportation for the disabled, I saw how countries like Sweden, Belgium, Germany, and Great Britain provide service. In every country, the costs of the service has increased dramatically. At the time of my visits, it was not uncommon to see the average cost per trip range from 30 to 70 American dollars. It is my understanding that some of these costs are now in the range of 90 dollars per trip. Currently, the CTA is providing paratransit service at about 17 dollars per trip, with the cost to the passenger set at $1.25.

The CTA, however, is not alone in providing paratransit service in the Chicago area. There are other public, private and non-profit providers of similar service in our region. As the quality of the CTA's paratransit service improves, as mandated by the ADA, our concern is that these other providers will drop or diminish their own service. This will increase the demands on our service.

Continued commitment by both public and private transit providers is essential if the needs of the disabled community are to be met. What is needed is a complete inventory of all services provided, and their associated funding sources. To ensure complete cooperation with all providers, one entity should coordinate all service to the region. We feel that since the ADA holds public entities, like the CTA, ultimately responsible for service provided in a region, we should be able to coordinate all types of paratransit service, and take advantage of the additional funding sources those other entities receive. This would ensure efficient and cost-effective transportation management, without the difficulties of transferring subsidies.

All of these concerns for capital and operational funding needed to implement the ADA must be considered in the context of the upcoming reauthorization legislation. We are encouraged that the Administration has recognized the need to provide separate funding for the recent federal mandates for ADA and clean air in its proposed legislation. Unfortunately, the $50 million set aside for both mandates does not begin the address the needs of the nation.

The CTA stands ready to meet its obligations to provide quality transportation to the disabled community. But the ability to adequately fund that service cannot be realistically met by systems like the CTA, which are facing difficult financial times. Without increased federal commitment, our only options for funding this type of service is to increase fares or reduce service. It is my opinion that while the nation has set its priorities for the disabled, it must also follow up and develop a sound funding mechanism. This would allow us to continue to provide service to all who depend on public transportation, not just the disabled.

The nation must decide how much it is willing to pay to provide public transportation for the disabled. Transit systems cannot find the solutions within the policies and mandates set forth within the pages of the ADA. As representatives of the people, we are looking towards leaders like yourselves to provide an increased commitment to meet the goals set forth in the ADA.

Senator **Cranston**. I assure you we will do our best.

Given the budget constraints, it's not easy.

But we will try to develop an approach that gets access to the Highway Trust Fund to use in ways that will help people both on highways and otherwise, by reducing congestion for those on the highways, where you have an opportunity to get more funding than we have had in the past.

I thank you for beating not only the red light, but the yellow light.

Mr. **Savage**. Well, that's a very intimidating instrument there.

Senator **Cranston**. Finally, we'll hear from Carole Scott, mayor of Manila, UT, representing the American Association of Retired Persons.

STATEMENT OF CAROLE SCOTT, MAYOR, MANILA, UT, FOR AMERICAN ASSOCIATION OF RETIRED PERSONS [AARP], WASHINGTON, DC

Ms. **Scott**. Thank you, Senator.

I thought I'd do my own introduction, but since you've done it for me, we'll just skip that, if that's all right with you.

And I want you to take a look at the brief that was prepared, but I don't want to refer to it.

I'd like to talk to you, instead, about a program that we're involved in, as the town of Manila, and that I'm involved in personally. In Utah, counties always contract with the State, and they're the ones who provide the service. Our county opted not to do that, so our city decided to it. We're the only city in the State which does that.

And of course, we're involved in transportation for seniors. The first 4 years that I was mayor, we did not have any transportation. And finally, I began to see the relationship between transportation and quality of life.

Let me tell you how I found that out. We have two small stores. We have no supermarkets. We don't have the services that most areas have.

These people were spending their dollars because, for the most part, they don't take foodstamp dollars: They're very independent, so they were spending their money in these two stores. There was no fresh fruit, there was no fresh vegetables in those stores.

So we decided that we would incorporate, and we'd get a van for our senior citizens. And we did that through the section 16(b)2 program. And I want to tell you, $3,600 out of anybody else's budget doesn't sound like very much money. But out of the town of Manila's budget, that was a heck of pile of money. We had to argue with some of our citizens to get that to happen. It was the best investment we ever made, believe me, Senator.

Senator, the folks that we took to town to buy groceries, first it started out with just the ladies. And then it began to be the fellows too, that would take this van and go to town. And, finally, they began to access services that were different than just food. They began to look at other things.

The town of Manila has a doctor who comes to our community once a month, and that's the only medical services that we have available. The van began to take seniors to the doctor, to the dentist, take them for their eyeglasses, even for hearing aids, and all of those types of things. Those are services that our people would not have had without this program. And we've appreciated it.

We now go as much as three times a week into town. And town, for us, is 65 miles away. It's a 130-mile roundtrip. And we're concerned that there might be a cut in the funds that help us do the maintenance.

Our seniors do make contribution for their trips, when they take their trips. And we're very concerned about that.

When I told my seniors—I had lunch with them yesterday—when I told them I was coming here, and that I was going to have the opportunity to talk with you about this, they were amazed. Why would you care about a small town in Utah? I tell you the truth, I think you did something for them, maybe a better service than the van, even, because now they know you care. And I appreciate that.

I'm a transplanted Californian, so I've watched your career all the way through, and always admired you.

I've heard all the figures. I've listened to all of the talk today about big transportation, cities, urban needs and so forth. All I can talk to you about is what we need at the rural area.

And I'd like to just ask you to consider what AARP is asking for. AARP recommends that an increased portion of transit funds be provided for the maintenance and expansion of paratransit services for older persons, disabled persons, and residents of the rural area.

Authorizations of the section 16(b)(2), section 9 and section 18 programs should be significantly increased to meet the growing need for services and to help with the Americans With Disabilities Act. AARP supports the efforts to coordinate the Federal transportation services. And you know all of those things.

I just want to say to you, sir, that transportation means different things to different people. To my people, that single van meant freedom and better health.

And I thank you for that.

[The complete prepared statement of Carole Scott follows:]

AARP

Bringing lifetimes of experience and leadership to serve all generations.

TESTIMONY OF

THE AMERICAN ASSOCIATION OF RETIRED PERSONS

THE REAUTHORIZATION OF THE URBAN MASS TRANSIT ADMINISTRATION: THE NEEDS OF OLDER AND DISABLED AMERICANS

Hearing before the

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

U.S. SENATE

Presented by

Carole Scott

Chairperson, Utah State Legislative Committee

April 18, 1991

For further information, contact:

Don Redfoot
Federal Affairs Department
American Association of Retired Persons
1909 K Street, N.W.
Washington, D.C. 20049

Telephone: (202) 728-4275

American Association of Retired Persons 1909 K Street, N.W., Washington, D.C. 20049 (202) 872-4700

Robert B. Maxwell *President* Horace B. Deets *Executive Director*

Mr. Chairman, I am Carole Scott, Chairperson of the Utah State Legislative Committee of the American Association of Retired Persons (AARP). I also serve as the mayor of Manila, Utah, a small town in the northeastern part of the state. Thank you for the opportunity to testify today on the transportation needs of older Americans.

AARP is especially pleased that you are highlighting the special transportation needs of older and disabled Americans as you begin consideration of the reauthorization of the Urban Mass Transportation Administration (UMTA). This topic especially timely due to the convergence of several factors. The implementation of the landmark Americans with Disabilities Act (ADA) this year coincides with the reauthorization of UMTA as well as of the Older Americans Act, which funds a great deal of specialized transportation for older people. Now is the time to bring these discussions together in order to best address the transportation needs of an aging society.

Aging and Transportation Needs

Americans over the age of 65 currently constitute over 12% of the population, more than 30 million individuals. In the next two decades this number is predicted to grow to nearly 40 million. Most significant, from the perspective of providing services such as transportation, the fastest growth in the older population will be among those with the highest risk of having limited or no ability to drive. Most of the growth in the older population over the next two decades will be among the oldest old, who have the greatest need for transportation services. A 1990 University of Texas study found that nearly half (46%) of those in their 70's, and roughly three-fourths (74.4%) of those over age 80 were nondrivers. In a 1988 study of the transportation needs of older Americans, the Transportation Research Board (TRB) estimated that the number of older nondrivers would grow to 14 million. In addition, many other older people severely limit their driving.

A major factor that will restrict driving is the larger proportion of older people with disabilities. The 1980 census found that 15% of all older people reported a "transit disability," that is, a condition limiting their ability to travel to or utilize mainstream transportation vehicles. Nevertheless, only 19.2% of severely disabled older people reported in the 1984 National Health Interview Survey having ever used specialized transit. These data suggest an enormous unmet need for programs like the Section 16(b)2 program, which funds grants to nonprofit organizations to provide specialized transportation services to older and disabled people.

Some of the increase in the number of nondrivers will also come from the gender ratio of the older population. In 1984, over 80% of men over the age of 70 had a driver's license compared to only 38% for women of that age. While this gender difference is expected to diminish over time, the growing number of older women living alone will continue to require special planning from policy-makers.

Transportation problems of older people are exacerbated by shifts in where they reside. The proportion of older people residing in central cities is declining while the proportions living in suburban or rural locations is dramatically increasing. If current trends continue, residents of low-density suburban and rural areas will constitute three-fourths of all older people by the turn of the century.

The growth in the older population in the suburbs is largely due to the "aging in place" of those who moved to their homes as young families. Services were reached via automotive transportation only to become increasingly inaccessible as residents aged. Mass transit systems in suburban areas are typically arranged like "spokes on a wheel" -- designed to take workers from the suburbs to the central city where jobs are concentrated. That system is ill-suited to older people in the suburbs who are more likely to be traveling from one location in the suburbs to another in order to receive services.

The proportion of older people who live in rural areas is projected to increase from 28.6% in 1980 to 34.2% in 2000, both because of "aging in place" and migration. Because they suffer disproportionately from poverty, poor health, disability, and social isolation, rural older people must depend heavily on publicly funded transportation. A recent study by the Community Transportation Association of America found that 39% of the ridership on Section 18-funded systems was over the age of 65 -- three times the proportion this group represented of the rural population.

My home community of Manila, Utah may serve to illustrate the problems that many rural older people face. Manila has a full-time population of 207 people. There are approximately 50 older people who reside year-round in or near Manila, a figure that rises to approximately 250 in the summer time as both long-time and seasonal residents return to the area. Year-round residents tend to be older and are more likely to be women living alone than our seasonal residents. Many worked on or for the ranches and farms that surround Manila. Generally, their children have moved away to pursue careers.

These are very independent women and men who want to continue to live in the area in which they have lived their lives, but for whom needed services are increasingly inaccessible. A doctor who makes one visit a month to Manila. Otherwise, our residents must find a way to get to services, and the nearest medical, pharmacy, and optometric services are all at least 60 miles from Manila. Even basic recreational facilities are some distance away.

To address the needs of our older residents, the town of Manila formed a nonprofit corporation for the purpose of purchasing a specialized van, using funds from the UMTA's Section 16(b)2 program. To supplement rider contributions for operating expenses, we use funds provided by Title III of the Older Americans Act. For the past five years we have used these resources to run two or three trips a week to the cities of Rock Springs or Green River, Wyoming where our older residents can receive medical services, engage in health-promoting recreational activities such as swimming, and do necessary shopping. As mayor, I am frequently called on to act as driver. In my experience, this van service makes all the difference in promoting the independence of the older residents of my small community.

The Need for Coordination

Most funding for paratransit systems serving older and disabled people comes from human services programs such as Medicaid, Title III of the Older Americans Act, and the Social Services Block Grant (SSBG). For example, transportation expenditures under Title III of the Older Americans Act were roughly $68 million in FY 1989, which compares to only $35 million appropriated for the Section 16(b)2 program at UMTA.

Fragmented funding sources impose hidden costs on these systems because rigid program requirements inhibit responsiveness and prevent the best use of equipment and personnel. In 1986, the Departments of Transportation (DOT) and Health and Human Services (DHHS) established an Interagency Council which found three dozen programs playing a significant role in funding transportation services. Differing regulations, eligibility criteria, and funding streams have inhibited effective coordination of services at the local level.

This bureaucratic lack of coordination translates into diminished services for older and disabled consumers. Problems that are typical with paratransit systems are:

- Many are specific to a particular service (e.g., trips to a senior center but not to go shopping) or specific to a particular group (e.g., for the elderly but not for the developmentally disabled).
- Restricted services may not be available on weekends or nights.
- Unreliable schedules cause late or missed trips.
- Requirements for advance reservations make it inconvenient to schedule activities.

Two promising developments have recently occured in response to these problems. First, in June of 1990, the Administration on Aging (AoA) and UMTA signed a memorandum of understanding (MOU) to improve coordination of federal transportation services for older persons. The MOU seeks to eliminate barriers that prevent older persons from utilizing existing transportation services, promote the development of volunteer rural transportation programs, and develop technical assistance and training to increase coordination and access to transportation.

The Americans with Disabilities Act (ADA), which was signed into law on July 26, 1990, attempts to correct some of the current deficiencies with specialized transit. The law requires full accessibility of fixed route vehicles and transportation facilities. In addition, the ADA requires the provision of a "comparable" level of service for those using paratransit services. However, the Act contains provisions regarding "undue financial burden" which could force difficult decisions among types of services and clientele for local transit authorities, especially smaller systems with very limited resources.

The Association's Recommendations

The Association recommends that a increased portion of transit funds be provided for the maintenance and expansion of paratransit services for older persons, disabled persons, and residents of rural areas. Greater efforts should be made to improve the reliability and responsiveness of paratransit services. Authorizations for the Section 16(b)2, Section 9, and Section 18 programs should be significantly increased to meet the growing need for services in rural and suburban areas as well as to facilitate full compliance with the Americans with Disabilities Act.

AARP supports efforts to coordinate federal transportation services, including the provision of technical assistance and increased flexibility for service providers to coordinate funding streams from DOT and DHHS. Information from a joint UMTA/AoA data base should be made available to state and area agencies on aging, as well as to transportation service providers, to assist in the development of new transportation services to older people and the improvement of existing services. Leasing arrangements between transit authorities and other service providers should be promoted. Insurance liability and other obstacles to such coordination should be studied and viable solutions implemented.

Conclusion

This year is a very important one for charting the future of transportation policy. The demographic pressure of an aging society demands creative thinking on the way services are delivered. Key to providing access to any services will be decisions made on transportation services. The reauthorizations of the Surface Transportation Act and the Older Americans Act provide the opportunity for making legislative changes needed to better support older Americans' independence and dignity. Thank you for this opportunity to testify before this Subcommittee today.

Senator CRANSTON. Thank you very much.

I appreciate your kind words.

I'm glad you came all the way from Manila, UT.

Ms. SCOTT. Thank you.

My seniors were just amazed that you had asked me here.

Thank you very much.

Senator CRANSTON. Thank you.

I have a few questions to ask, and I'd like to ask that you be very brief in your responses because I'm getting into a time squeeze and we have to end at about 5 o'clock, which gives us 10 minutes.

The administration's cost system for bus and rail accessibility and complementary paratransit ranges from $840 million up to $1.3 billion a year, more than one-third of the entire Federal transit program.

How accurate do you think those cost projections are?

What are your own estimates of capital and operating costs needed to implement ADA?

How would your operation be altered to meet those requirements?

How will other areas of your operation be affected, such as service to the general public?

And what provisions would you include in a new transit bill to achieve the objectives of ADA?

Those are a lot of broad questions, but I would ask that you give a summary answer.

Any one of you start and others comment, I'd appreciate it.

Mr. SAVAGE. Well, Mr. Chairman, I believe the figures are low.

I believe they've grossly underestimated the cost.

But some of that depends on what kind of standards we're going to establish as we go along.

There's a pattern in paratransit development all around the world.

Wherever you see it, it's a gradual pattern.

Because what happens is that there isn't enough money in it for the private operator to continue to operate, and gradually it becomes centralized under some authority.

It's just gradual. And you can follow it in almost any country in the world that's got into this.

And the Europeans are far, far ahead of us in it.

And what happens is it becomes concentrated probably in the transit agency.

And as it does, the cost grows out of proportion with all its other transit services.

And there's only two sources of money that we have.

One is grants, which we get and I include in that, sales tax, local grants, grants from the Federal Government and so on.

The other is from the fare box.

If the grants don't increase, the only place we have to get the money to keep operating is from the fare box.

And, in my opinion, that's an unfair transfer of cost to the back of the wage earner for the special services provided.

And I think that there has to be, and again I come back to the financial support that we need to do.

I don't know whether that answers all your questions.

But certainly, if you'll give me the opportunity, I'll write a brief for you, sir.

Senator CRANSTON. Do that.

Mr. CAPOZZI. In deference to the administration, it seems like the administration had amnesia when they wrote the bill.

The ADA was passed in July 1990, and lo and behold, here comes the administration's proposal for the reauthorization of the UMTA Act, and there was woefully little money allocated toward implementing the ADA.

And there's no determination at all in the discretionary funds as to how it should be spent, what priorities it should be spent for.

And we need to develop programs that will help move people off of these very expensive paratransit systems and onto the accessible buses, and make people start riding them.

It's going to be a learning curve for people.

Not everybody is ready to use public transportation that's accessible.

It's a learning curve.

People in Chicago, for example, have probably never ridden an accessible bus before in their life, because there's never been one.

And so they're going to have to get used to that.

So these costs are probably fairly accurate.

And you'll notice that most of the cost is for the initiation of paratransit programs.

So we need to make sure that we keep those costs as low as possible by moving people off of those paratransit systems that don't need to be on them, and encourage them to use the accessible fixed route buses, because I don't think anybody would argue that a ride on an accessible bus is cheaper than a ride on a paratransit van.

And so we should make sure that the people that need paratransit get that service and that the people who can use the accessible service use that.

Mr. SAVAGE. Mr. Chairman, one other thing I'd just like to mention because the lights aren't on and I can sneak it in.

There's another thing that happens.

As this act is implemented, and as we become more efficient and effective in it, there's a transfer of service.

There's many other services now providing handicapped transportation.

There's service clubs.

There's special service, you know, all types of groups.

There's hospitals and so on.

What I've found in looking at this is what happens in other areas is, as we become more efficient, those people drop the service they're providing.

So it's very important that somehow we establish an inventory of what's presently being serviced, and look at those costs and try and transfer those costs, if they're going to drop that service, to support the overall service.

Because what you do is, as you increase the efficiency, you lose the load.

Senator CRANSTON. Regarding private paratransit, do you have any suggestions as to changes we should make in the law to enable public transit agencies to work more closely with and effectively with other providers of paratransit, so the objectives of the ADA can be fulfilled more effectively?

Mr. QUIGLEY. I've done paratransit coordination.

I've been responsible for it in Philadelphia, Cleveland, Los Angeles, and a lot of cities.

And what I think we need is, on a Federal level, is to have all the funds combined in together.

There's so much duplication out there.

And the problem that I find, when I go to these communities, is the expertise isn't there.

And it has to be created from the start, to show people how to do preventative maintenance, how to do the scheduling and use the software packages that are out there.

So that's the kind of thing.

I think the figures were right that were picked in the regs that came out, last time, at least for the size of the communities that I'm using.

But the duplication is a real problem.

And I'm glad Al brought up the fact of dumping, because I've seen it out in Los Angeles and other cities, and I'm very concerned about it now in Bridgeport.

Senator CRANSTON. Apart from inadequate funding, what are the benefits and drawbacks of the administration's elderly and disabled provisions, which I'm sure you're familiar with?

Any particular problems with it, other than money?

Ms. SCOTT. Mr. Chairman, there's a real concern that we have from the rural perspective, and that is that so often, there are so many regulations that are handed down with it, that the rural folks, having much smaller budgets, would be completely precluded. The nearest urban system that we have is 174 miles away.

So it's either going to be a situation where you have the rural funds and the section 16(b)2 or you're not going to have any of that kind of transportation.

You know, we're envious, in a way, of what goes on in the cities. I understand they have tremendous problems. We'd almost like to have a few of those problems in the rural area, because we don't have any transportation for the most part, period, other than this kind of thing that you're talking about now with the ADA.

Senator CRANSTON. Thank you very much.

Let me pose a final question to you that I did to the other people in the last panel.

And if you can answer in about one sentence, I'd appreciate it.

What is the single most important problem Congress could address in this year's UMTA reauthorization bill?

Let me start with you.

Ms. SCOTT. I guess if you'd look at being as fair as you can to all the departments that need the money.

To me, that would be important.

Senator CRANSTON. Mr. Savage.

Mr. SAVAGE. I believe funding is the single most important issue that you have to face.

I believe that we've got a great store of professionals in the field, and the acts, themselves, are good.

But we just have to fund them.

Senator **Cranston**. Mr. Quigley.

Mr. **Quigley**. Along with funding, the projections over the 5 years, I think highways, that proposal is to pump in about 40-percent increase.

And I'd just ask that we don't pave the whole country with concrete.

Thank you.

Senator **Cranston**. Mr. Pearson.

Mr. **Pearson**. Yes, funding, but I think forced coordination of services.

We need to combine some services.

HHS has dollars that could be accessed to help us with transit, as well as when the laws are written, don't do as we did in Tennessee.

We wrote one law that said 24.24 percent of 1 percent of the gas tax could go toward transit. Put Shell in there this time.

Senator **Cranston**. Mr. Capozzi.

Mr. **Capozzi**. I agree with people on the last panel.

Level the playing field, because without the level playing field between transit and highways, the hope of the ADA will get lost in the shuffle.

Senator **Cranston**. Level playing field with a lot of money on it.

Thank you very, very much.

We will submit some written questions to you right away and if you could try to return them by the end of next week, we would appreciate it.

Thank you very much.

We stand in recess.

[Whereupon, at 5 p.m., the committee was adjourned.]

PROPOSED REAUTHORIZATION OF THE URBAN MASS TRANSIT ACT

WEDNESDAY, APRIL 24, 1991

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS,
Washington, DC.

The subcommittee met at 2:10 p.m. in room SD-538 of the Dirksen Senate Office Building, Senator Cranston (chairman of the subcommittee) presiding.

OPENING STATEMENT OF SENATOR CRANSTON

Senator **CRANSTON**. The hearing will please come to order. Good afternoon. I welcome all of you to today's hearing.

This afternoon, we will examine some of the more complex issues related to reauthorization of the Urban Mass Transportation Act.

The subcommittee has been wrestling with some of the issues that make this year's transportation legislation unusually important. The country's top transportation leaders have been working closely with us.

We all need to find ways to make local transportation planning more coherent and more effective.

We need to find ways to make the use of highway and transit funds more flexible.

We need to find ways to establish a level playing field in highway and transit project selection.

And, we need to find ways to expand transit service as much as possible with the Federal funds available for capital investment.

To achieve these objectives, we must correct long-entrenched institutional obstacles, regulatory barriers and administrative biases that unfairly skew our transportation decisionmaking processes away from transit.

Our first panel will explore ways to improve capital investment in our Nation's transit systems. We will discuss ways to provide transit operators with the kind of reliable funding commitments they need to manage and finance major long-term capital projects more rapidly and more cheaply.

Substantial improvements must be made in the way we support the various forms of capital investment, including new starts, major rail extensions, rail modernization and major fleet investments.

The second panel will address both the operational needs of transit systems and the section 13 labor provisions in statute.

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The Bush administration has proposed elimination of operating assistance to large urbanized areas. The administration claims that Federal operating assistance is not really needed by these large transit operations, since it covers a relatively small portion of their total costs.

In recent years, we have all too often seen administration proposals that reflect ideology rather than sound analysis.

So, the subcommittee wants to explore this proposal very carefully before making any move in that direction.

I want to make sure that the country's transit systems aren't forced to make drastic increases in fares or cutbacks in service.

According to a recent New York Times article, April 16, Philadelphia's transit system has been driven to the brink of closing down their operations because they are incapable of meeting operating deficits.

The administration places a high premium on the involvement of private sector in transit. I believe we should open opportunities for private industry to provide transit service wherever that will provide the best service at the least long-term cost.

But, the Reagan administration often forced localities into privatization decisions that proved to be more costly in the long run.

Finally, I believe we must be careful to preserve labor protections in public transportation.

We are fortunate to have an unusually fine group of witnesses this afternoon to help us think through these issues. Our time is short and we have a great deal of ground to cover.

Our leadoff witness is Governor James Florio of New Jersey. Jim Florio has been known for a long, long time as a national leader for improved public transportation. He's been unusually effective as the cochair of the Transit Now Coalition, and is a proactive, pro-transportation Governor in his own State.

It was a pleasure to welcome you here when you were in the other body; it's a pleasure to welcome you here now that you're Governor of the great State of New Jersey.

Before we begin I have a statement from Senator Dixon to be inserted in the record.

OPENING STATEMENT OF SENATOR DIXON

Senator DIXON. Mr. Chairman, I am very pleased to be here this afternoon. We have a good group of witnesses before us, and I look forward to their testimony. I would also like to welcome Kay Marrin from the city of Chicago and thank her for coming out here today.

Today's hearing will address a variety of issues that are critical to a competitive and efficient transit system. The President has presented us with a bill which he says addresses the transit needs of this country. But what are these transit needs?

From my perspective, I think the need is much greater than what the President suggests. The Chicago area in my home State has a large and aging system. We have urban congestion at the core and urban sprawl on its borders. Its ADA [American With Disabilities Act] needs alone are in the hundreds of millions. I would like to hear what our witnesses have to say about this Nation's real capital needs.

I am also eager to hear their suggestions on how we should meet these needs. What programs are important and how these programs should be designed to efficiently meet our transit needs must be answered if we are to address our mass transit needs.

Developing long-term financing methods will be critical for long-range planning and effective implementation of projects. Projects can be planned properly and carried out smoothly only if a stable, constant, and reliable source of funds is there for transit operators. I hope today's witnesses can provide some suggestions on how that can be done.

Another area that we will discuss today, which the administration has dismissed, is operating assistance. Operating assistance to small as well as big cities is important in keeping fares down. For many people, especially the poor, transit is the only option.

The administration has proposed to change key sections of the mass transit bill protecting transit workers. I believe the administration's proposal is a step backward from our commitment to fair and equitable treatment of our workers. If we are going to use Federal dollars to build projects, it is reasonable that the Federal Government set guidelines to protect the workers who build and run the transit systems. I thank the transit workers representatives for coming here to answer some of our questions about this real concern.

I and my colleagues on this committee are committed to developing a mass transit bill that will help construct and maintain the kind of mass transportation systems that are crucial to keeping our cities livable. I thank all the witnesses here for assisting us in this effort.

STATEMENT OF JAMES FLORIO, GOVERNOR, STATE OF NEW JERSEY

Governor **Florio**. Thank you, Mr. Chairman. It's a pleasure for me to be here, both in my capacity as Governor and, as you indicated, Mr. Chairman, as cochairman of Transit NOW.

I'm pleased to be here to publicly speak on the issue of the future of the mass transit in this Nation. I have a full statement that I would ask be placed in the record, and I will summarize a few points at this time.

A dynamic mass transportation system, when it includes the Federal Government as a full partner with the States, is a key to a clean, green future for the children of this Nation. It will decrease dependence on foreign oil and improve the quality of the air we all breathe. It is also a very important part of an effort to put into place long-term economic planning that will enhance our productivity, as well as our competitiveness.

The level of Federal funding for mass transit is dealt with in my statement.

I know these are difficult times. In New Jersey, we understand what it means to be concerned about balancing a budget. We've done it. But, even in the context of these difficult times, in our

State, we made choices. And, though we cut back in many areas, we doubled State spending on mass transit, to almost $200 million.

That allowed us to keep fares even on New Jersey transit, which is the Nation's only statewide public transportation system. We kept these fares steady for the first time in about 10 years.

We've also provided extra money to make improvements in our capital plant and deal with basic system's needs of that mass transit system in our State.

Other States and localities are doing the same thing. They are increasing their local commitment because I suspect they think it's the right thing to do, but also because the Federal Government has been retrenching for a long period of time, and the localities are left without a lot of options if they are to preserve the systems.

As you know, Senator, between 1981-91, Federal funding for mass transit declined by about 50 percent when you factor in the cost of living factor and the effect of inflation.

Let me put funding aside and say that there are several other critical areas that this legislation should address if we're going to meet local and regional mass transportation needs. And I'd just like to highlight a few of these.

First, the Federal Government must continue operating assistance to large urbanized areas and, as well, provide some assistance to smaller urbanized and rural areas.

Second, there must be direct linkage between the Surface Transportation Assistance Act and the Clean Air Act. The administration's proposal works against the Clean Air goals that were just enacted into law.

I think it would be a tragedy if we lost some of the environmental ground that we've gained by the enactment of these laws. The Clean Air Act sets very high standards for air quality in this Nation, and that certainly is commendable. The children of this Nation deserve nothing less.

But, the current administration proposal for the reauthorization, the one that's considered here, would undermine that goal by continuing to emphasize new highways; by not giving mass transit the support that it needs, the administration's proposals will not help us reach the Clean Air goals that are now spelled out in the law.

I know that this committee does not have exclusive jurisdiction over the highway legislation, but I strongly urge you to work closely with the Environment and Public Works Committee to allow Federal highway funds to be used for mass transit purposes in areas that don't meet the Clean Air standards.

The position that's put forward by some in the Congress, and I mention very quickly my colleague, Congressman Roe from New Jersey, is one that I think makes an awful lot of sense. This type of flexibility is critical if we're going to avoid the absurd situation of nonattainment areas receiving funds for highway expansion projects at a time when the Clean Air Act requires reduction in automobile traffic in those very areas.

Therefore, we should have the flexibility to utilize air-cleaning mass transit in the nonattainment areas.

Third, the Federal proposal must also work with, not against, our shared national policy goal of reducing dependence on foreign oil.

One of the most sensible ways of promoting energy conservation is to provide comfortable, affordable alternatives to driving.

Of all the forms of energy consumption, transportation is the only one that has gone up since the last oil shocks, more than a decade ago. We depend now more than ever on foreign oil.

Again, the administration's proposal would exacerbate that problem. It works against the national consensus that we need to provide people with comfortable, affordable alternatives to driving their automobiles.

The administration proposal encourages greater use of automobiles.

Fourth, the act must recognize the total commitment made by State and local governments in support of a comprehensive and coordinated transportation network in the various constituencies.

We, in New Jersey, have particular concerns. We understand that, as much as people talk about an end to regional differences in America, there are clearly some differences that simply remain because of geography.

The needs of New Jersey, the most densely populated State in the Union, obviously differ from a State like Montana. We, in New Jersey, have thought long and hard about our needs and transportation priorities. We have brought people together, those people especially who are responsible for our transportation network, into one transportation executive council, a coordinating agency that we're using to direct growth in our transportation system.

We also would like the Federal Government to work with us, not against us. So, I think there's some value in giving the States the flexibility they need to address their own unique transportation concerns.

The current Surface Transportation Act and some of the proposals being offered for its reauthorization do not give us that flexibility, the flexibility that we need. It continues to rely upon old-fashioned, outmoded rules, about matching funds.

So we would like to put in place Federal matching fund rules that give the States flexibility in where they get and how they use money for their transit projects as defined by people on the ground; specifically, I would urge the committee to allow total revenues used to finance highway projects to be used as global matches for other transit and highway projects, in a sense, to give credit where credit is due for the amounts of money that are put into the transportation system.

In New Jersey, our independent authorities are investing more than $2 billion this year in our transportation network. Yet, that money is not eligible for Federal match.

Fifth, let's give mass transit equal footing when it comes to funding match requirements. I would urge the committee to end the bias that has encouraged State and local governments to build highways even though mass transit would have been a better investment.

How do we clean the air and reduce traffic congestion and decrease our dependence on foreign oil if Federal policy makes it easier and cheaper to undertake highway expansion projects over transit, even when transit is objectively identified as a preferable means of moving people.

Sixth and last, UMTA's major capital investment policy must be eliminated. This policy establishes artificial roadblocks to undertaking critical mass transit alternatives. The one new project per urbanized area limitation has never been applied to highway projects and it should not be applied to transit projects either.

Real cost-effectiveness criteria should and would prioritize Federal resources. We should not arbitrarily kill meritorious local and State initiatives in the way that policy effectively does.

We, in New Jersey, have some bold plans. We'd like the Federal Government to join with us in promoting the economic growth of one of the Nation's most dynamic economic regions.

We're all for enjoying a drive on highways that aren't congested and perhaps of equal importance, if not greater importance, we're for a Federal mass transit policy that gives credit for the hard work that we're doing in this very important area.

Senator CRANSTON. Jim, what did you say about highways in the preceding sentence?

Governor FLORIO. I just said:

> Obviously, I'm not anticar. I'm all for being able to drive on highways. But, highways that are not congested.

Therefore, what we're saying is giving us the flexibility to allow us to make the determination as to how transportation dollars should be used makes as much sense for our purposes in New Jersey as I suspect it would make for the purposes in Utah or Montana, that local people feel are in the best interests of everyone.

I am very pleased to be able to be here and look forward to cooperating with this panel as it continues its deliberations.

[The complete prepared statement of Governor Jim Florio follows:]

STATE OF NEW JERSEY
OFFICE OF THE GOVERNOR
CN-001
TRENTON
08625

JIM FLORIO
GOVERNOR

GOVERNOR JIM FLORIO'S TESTIMONY TO

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

SENATE BANKING, HOUSING AND URBAN AFFAIRS COMMITTEE

April 24, 1991

Mr. Chairman, thank you for this opportunity to testify before the Senate Subcommittee on Housing and Urban Affairs. As the Governor of New Jersey, and as Co-Chairman of Transit NOW, I fully support the efforts of this subcommittee to enact mass transit legislation that will help this nation sustain its economic place within the world market place, help move us towards energy self-sufficiency, and ensure that the goals of the Clean Air Act are achieved within the time frame set out by that legislation. For my state, the enactment of a bold, innovative mass transit act, one that reestablishes the federal government as a full partner in meeting the nation's transit needs is essential. Within New Jersey, we cannot reduce traffic congestion and air pollution without a modern, efficient and dynamic mass transit system. This can only be achieved by doubling the level of federal mass transit assistance.

As Governor, I am making sure that New Jersey does its fair share to promote mass transit within the state. My state fiscal year 1992 budget proposes sufficient funding to avoid any need for a fare increase. My fiscal year 1992 capital budget request doubles transit funding in New Jersey over last year's level to $200 million, and more than triples it over the level provided in state fiscal year 1988. In state fiscal year 1992, state assistance will represent 36 percent of the operating budget and 45 percent of the capital budget for mass transit. This represents the greatest contribution ever made by New Jersey to mass transit.

New Jersey is not alone. Other state and local governments have also greatly increased their mass transit funding commitments. The Bush Administration is dead wrong when it states that the answer to the nation's mass transit problems is increased local support. State and local governments have been increasing their commitments for 10 straight years, while the federal commitment has continued to decline over the same period of time. Between 1981 and 1991 federal mass transit assistance has declined over 50 percent when adjusted for inflation. It is now time for the federal government to not only restore transit funding to the historic level but to also increase funding to meet the nation's transit needs over the next five years.

Beyond funding, there are five critical issues that this legislation must address to help state and local governments effectively meet local and regional mass transit needs. I urge this subcommittee to include these key provisions in the reauthorization legislation.

First, the federal proposal must continue operating assistance to large urbanized areas and provide increased assistance to smaller urbanized and rural areas. The Administration's proposal to eliminate operating assistance will undermine efforts throughout the nation to hold the line on fares. Within New Jersey, the Administration's proposal could result in a 17 percent fare increase and over 8.5 million more auto trips annually on our already congested highways. This is totally unacceptable and must be rejected.

Second, there must be direct linkage between the Surface Transportation Assistance Act and the Clean Air Act. Non-attainment areas must have flexibility to use federal transportation funding to best meet the objectives of improving air quality, a position advanced by Congressman Bob Roe, Chairman of the House Public Works Committee. I recognize that this Committee does not have jurisdiction over highway legislation. I strongly urge this Subcommittee, however, work closely with the Environment and Public Works Committee to allow federal highway funds to be used for mass transit purposes in non-attainment areas. This type of flexibility is critical if we are to avoid the absurd situation of non-attainment areas receiving funds for highway expansion projects at a time when the Clean Air Act requires reduction in automobile traffic. While the Administration proposal pretends to provide such flexibility, the reality is that the proposal allows transit dollars to be spent on highway projects but allows only very limited flexibility to use highway funds for transit. Simply put, that is the wrong approach to promoting clean air.

Third, the act must recognize the total commitment made by state and local governments in support of a comprehensive and coordinated transportation network. Within New Jersey we have worked hard to promote this comprehensive approach through the establishment of the Transportation Executive Council (TEC) and the development of flexible funding source opportunities. The Council has prioritized the state's transportation needs and has targeted monies to finance the state's highest transportation priorities. At a time when resources are scarce, the TEC allows the states to undertake the most critical projects, whether it be highway or transit by consolidating funding resources.

To fully achieve the benefits of this comprehensive planning and financing approach, I urge the Committee to allow all state and local capital funding resources to be recognized as local match for federal projects. Specifically, I urge this Committee to allow toll revenues used to finance highway projects to be used as local match for other transit and highway projects. This can be achieved by allowing state and local governments to receive "credit" for advancing 100 percent locally funded projects, financed through toll revenues.

Fourth, the legislation must end the bias against the construction of new start transit projects. Local match requirements for highway and transit projects must be the same. Also, administrative requirements such as alternatives analysis should be eliminated. How can we clean the air, reduce traffic congestion and lessen our dependence on foreign oil if federal policy makes it easier and cheaper to undertake highway expansion projects over transit? I urge the Committee to end the bias that has encouraged state and local governments to build highways even though mass transit would have been a better investment within many transportation corridors.

Fifth, UMTA's major capital investment policy must be eliminated. This policy establishes artificial roadblocks to undertaking critical mass transit initiatives. The Bush Administration's policy limitation of one new start per urbanized area makes no sense, particularly in non-attainment areas where air quality plans may include several different initiatives needed to achieve clean air mandates. This limitation on transit initiatives has never been applied to highway projects, and it should not be applied to transit projects either.

The policy's cost-effectiveness criteria is also an unnecessary obstacle for advancing new initiatives. While I support some type of cost-effectiveness criteria, I do not support a criteria that is intended to deny good projects access to federal funds. I cannot support a criteria that favors one region of the nation over another. A cost-effectiveness criteria should prioritize federal resources, not kill local and state initiatives, particularly those initiatives contained within a state's air quality implementation plan.

One additional issue that must be addressed, that is not within the purview of this committee, is the continued inequitable tax treatment of employer financed transit and parking benefits. As you are aware, federal law taxes employer provided transit benefits when they exceed $15 per month, but does not tax employer provided parking subsidies regardless of cost. This inequity must end if we are to maximize the benefits of federal, state and local mass transit investments. How can employers take clean air requirements to reduce employee work trips made by the automobile seriously if transit benefits provided to employees are taxed? How can state and local governments ask employers to extend transit benefits to their employees, when it increases the tax liability of their employees? This Committee must encourage the Senate Finance Committee to pass legislation that would increase the transit tax exempt fringe benefit to at least $60 a month.

We have an enormous challenge ahead of us. As the Governor of New Jersey, I recognize the responsibility states have to meet the mobility needs of all its citizens, including individuals with disabilities as required by the American with Disabilities Act.

Throughout this nation states are committing more and more resources to mass transit and are promoting comprehensive planning, land use and financial strategies to maximize mass transit usage and efficiency. Our success, however, is directly linked to federal transportation policy decisions. The challenge before the Committee and Congress is to provide state and local governments with sufficient resources, flexibility and incentive to sustain and improve the nation's mass transit infrastructure. Together we can restore and promote the intergovernmental partnership that will move this nation into the 21st century.

Thank you for this opportunity to appear before this subcommittee. I applaud all of you for your dedication and support for mass transit.

Senator CRANSTON. Thank you very much.

I do have a few questions if you have time.

I share your concern, Jim, that Federal transportation resources must be provided to States and localities in ways that allow them to address their transportation problems without exacerbating air quality problems, and the values stressed in the Clean Air Act.

The flexibility proposals that we're considering would address those concerns that you expressed. These proposals could be even more critical to a State like New Jersey, which is in total nonattainment, I understand, with Federal air quality standards.

To what extent would you predict a radical redistribution of transportation funds among modes in New Jersey and other States if such flexibility is enacted?

Governor FLORIO. I guess I would have a hard time discussing it in terms of radical redistribution. I would just talk about commonsense redistribution.

Certainly, in a nonattainment area, you're not going to utilize the moneys in a way that is going to make the problem even worse.

On the other hand, those areas, almost by definition, are very highly densely populated. I'll give you one specific example:

In the Newark, NJ, area immediately adjacent to New York, we have a complex highway system already. We have an international airport, Newark Airport. It is the busiest international airport in the Nation at this point.

We have a port facility that's there. We are certainly looking for all the ways we can to move people and products through that area in the most expeditious way possible.

We utilized some of those moneys for planning purposes to improve our mass transit system. That would be the place. If we had more flexibility, we would use those dollars in that way, serving a whole host of different public policy goals.

And, again, it's common sense, I would think.

Senator CRANSTON. If we get you that flexibility, what institutional and political problems would you face? And how tough would they be in transferring funds to a significant degree from highways to other modes?

Governor FLORIO. They would not be tough at all, quite frankly. This is the frustration that I have, Senator, with some of the proposals that have been coming out of the administration. I have not heard specific reasons as to why someone would not be in favor of flexibility.

I have not heard anyone come forward and really advocate good, thoughtful reasons as to why matches should be increased.

In the face of a declining Federal contribution in the first place, why is it that we would be talking about reducing matches from any kind of transportation policy?

From the standpoint of equity for those of us who have done a lot of hard work in planning who factor in the representations that were made in the past as to what we could count on and what we'd have to come up with, now to say that we've changed the rules in the middle of the game in terms of greater matches is not something that most objective people would argue as being very forceful arguments.

I happen to think that, if the Congress—and I have great optimism that the Congress is going to be able to move forward with proposals that make some sense.

I don't think there are going to be a lot of public arguments put forward on a transportation basis that can refute the wisdom of what Congress may very well do in some of these areas.

Senator **Cranston**. We've been considering proposals that relate to more authority in metropolitan areas to establish priorities for transportation.

Some have argued that there needs to be a much greater State role in the decisionmaking process when metropolitan areas cross State lines which share transportation and air quality problems.

In the New York metropolitan area, transportation decisions will be scattered among 14 MPO's in New York City, southern Connecticut, northern New Jersey and several suburban counties in New York State.

What suggestions would you offer to us to foster cooperation among adjacent States and metropolitan areas in transportation decisionmaking?

Governor **Florio**. I can offer you not only suggestions, I can offer you what it is we've done.

We have formed a State-Wide Transportation Executive Council, which has a representative from every interstate as well as intrastate transportation agency.

The various bistate agencies between New Jersey and Delaware, New Jersey, and New York are all members of this coordinating council that has as its chairman my Transportation Commissioner, Tom Downs.

That has come again as a matter of common sense, an understanding between all of the agencies, bistate agencies, as well as intrastate agencies that it is folly for everybody to be independently formulating their own capital plans without some degree of coordination and cooperation.

So, in this last year, we've had tremendous cooperation. Our statewide planning is done in harmony with a contribution that's made from the bistate agencies; the Port Authority of New York and New Jersey has been extremely cooperative because we've been able to point out what makes sense. And they have been willing to coordinate their activities with ours.

So, that we're doing it on the basis of, in a sense, moral-suasion. We're not asking for Federal laws to ensure that there be that cooperation. I'm working from the premise that good faith individuals who want to do the right thing understand that nonwasteful practices are better than wasteful practices; noncoordination is wasteful.

In this day of austerity, when we want to use all of our capital facilities in the best way possible, harmonization and coordination is something that carries the day nine times out of ten.

Senator **Cranston**. The administration's proposal lowers the Federal matching ratio for capital investment funds for some new starts, so the State and local governments' share of the total budget cost will be forced to double.

The administration argues that this will leverage additional dollars for transit.

Just this morning, the Senate Banking Committee heard compelling testimony about the mounting fiscal distress faced by many of our State and local governments. As Governor, you know the fiscal constraints you face in New Jersey and the municipalities of New Jersey better than anyone.

Where will the State or localities find the funds to provide any higher State and local matching?

And what effect would such a requirement have on the operating efficiency of State and local transit systems in New Jersey?

Governor **Florio**. Senator, I certainly can't speak for him, but I have to believe that Secretary Skinner in his heart, who is an individual who has a good transportation background, knows that it is folly to go and expect the Federal Government to just be able to walk away in this way from the responsibilities of assisting.

This is not a situation where we're starting from scratch. The Federal Government has walked away in the past already and now, at this 11th hour, when the States are making hard decisions, as I said in my remarks, we're putting another $2 billion into our transportation infrastructure already and we've planned on the basis of that huge commitment, and they now tell us:

Oh, guess what? We've changed the rules and the Federal Government is going to make you put up even more.

It's just not fair and it is not good transportation policy. We happen to be, in my State, in a fairly unique situation. We have an AAA bond rating. We've got some good things. We've made hard decisions. Those things are behind us.

Transportation infrastructure planning is a very important cardinal principle upon which we've constructed our State government policy. But, other States are not in that type of situation. You made reference to SEPTA. I'm very familiar with that. Many South Jersey people use the SEPTA system, which is right across the river, in Pennsylvania.

I don't think it's unkind to say that that's a basket case situation. If the Federal Government would just walk away from that system that transports hundreds of thousands of people, it would just literally fall apart before too long. The State of Pennsylvania doesn't appear to have massive amounts of new money to pick up the slack.

The city of Philadelphia hasn't even got money to pay salaries at this point, much less to gratuitously come and bail out the system.

The Federal Government just cannot continue to walk away from the transportation needs of this Nation any further.

Senator **Cranston**. One other question.

You suggest that the revenues collected on the State and local level from toll facilities should be eligible to fulfill State or local matches just as locally collected tax revenues do.

A concern that such a proposal raises in some minds—not in mine—is the possibility that these toll revenues could be used to replace existing sources of funding at the State and local level, resulting in a decreased level of overall investment in transportation.

How can we work together to recognize the resource commitments made at the State and local level while assuring that current levels of effort are maintained?

Governor FLORIO. It seems to me that's very easy. You just write into the law that existing match requirements and existing match revenues are preserved. If someone wants to go beyond that, that's how you bring into play additional resources for the national goals of putting more resources into transportation.

It seems to me that that is something that is a straw horse that someone creates. If, in fact, there is a real concern about diversion of existing revenues from different sources, if you're giving $100 under the current system and you want to add another $100 through the highway, you just write—you have to in a sense hold a State harmless, or rather grandfather in the amounts of moneys that they've come forward with in the past and just have the opportunity now to add on by virtue of these other revenue streams.

I want to emphasize that this is a very, very important thing for an awful lot of States that we have chosen correctly or incorrectly in the past. And it's just a historical fact that transportation policy in some States is effectively operated through independent agencies.

Now, it's a bizarre outcome if we say that those States that chose to operate that way are somehow disadvantaged to those States that chose not to do that and operate everything out of their State transportation department.

A dollar raised is a dollar raised.

Why should we have those dollars that are effectively transportation dollars be able to be used equally for transportation matching moneys?

Senator CRANSTON. That's a good answer, as are all of your answers.

Thank you very much. Good luck. We'll do our best to give you the help that you deserve.

Governor FLORIO. Thank you, Mr. Chairman.

Senator CRANSTON. Thank you.

I'd now like to ask the first panel to come to the table.

It consists of John Leary, executive director of the Bi-State Development Agency of St. Louis; Joseph Magaldi, Department of Transportation Services from Honolulu; Kay Marrin, city of Chicago Project Leader, central area circulator; Peter Stangl, chairman, Metropolitan Transportation Authority, New York; and Steve Weir, chairman, Metropolitan Transportation Commission of Oakland.

I want to extend a special welcome to Steve Weir, who joins us from the Bay Area Metropolitan Transportation Commission.

Steve has had the herculean task of coordinating and uniting the many political and transportation interests in the San Francisco Bay area.

You and your staff have been of tremendous help in the subcommittee's work so far, Steve, and I hope we will continue this productive exchange as we move the transportation legislation through Congress in the next few weeks.

Let me say that your written statements will appear as if read in the present record. I would ask that you forgo your prepared testimony so we may launch into questions and debate.

I encourage you to comment candidly as we proceed through questions. The panel will be most useful if witnesses share differences of opinion as well as areas of agreement.

So, please feel free to enter the discussion any time you want to elaborate on or disagree on something that was said.

If anybody has any particularly urgent remark to make at the outset, fine. Otherwise, I would like to get to the questions. We will read your written testimony.

[The complete prepared statements of John Leary, Joseph Magaldi, Kay Marrin, Petr Stangl, and Steve Weir follow:]

Testimony

of

John K. Leary Jr.
Executive Director
Bi-State Development Agency

before

Senate Subcommittee on Housing and Urban Affairs

April 24, 1991

Statement of
Bi-State Development Agency
707 North First Street
St. Louis, Missouri 63102-2595
(314) 982-1588

Hearing on the Surface Transportation
Assistance Act of 1991

Mister Chairman, my name is Jack Leary and I am the Executive Director of the Bi-State Development Agency, the transit system operator in the metropolitan St. Louis area. On behalf of the Bi-State Board of Commissioners, I would like to thank you for the opportunity to discuss our perspectives concerning the Administration's proposed bill reauthorizing the Surface Transportation Assistance Act.

With a $93 million budget, the Bi-State bus system provides almost 45 million passenger trips a year in the St. Louis metropolitan Bi-State region. To strengthen our ability to serve the transit needs of our community, we are constructing Metro Link, the region's new 18 mile light rail system scheduled to begin revenue operations in July, 1993. This $300 million investment has been initiated because St. Louisans believe it will provide a new mobility and play a key role in strengthening the growth and development of our region.

Because Bi-State currently derives about 12% of its funding from federal sources, and because capital assistance for new equipment and construction of the Metro Link project are vital to our program, we have an overriding interest in seeing the federal commitment to public transportation not just maintained, but strengthened.

The proposed bill reauthorizing the Surtace Transportation Assistance Act represents sweeping changes in the way in which transit and highway programs are funded. Some of these changes we view as positive. Many, unfortunately will be harmful to our nation's efforts to meet the mobility needs of our urban areas and, specifically, harmful to the public mass transit industry.

The growth budget and more favorable matching ratios for highway programs is an indication that the Administration has yet to come to grips with putting together an integrated, balanced, multi-modal transportation assistance program which rationally reflects a sensible, national transportation policy.

National and local concerns when combined with the need for energy conservation, congestion relief and improved air quality can all be addressed by an increased and focused emphasis on public transportation. The future viability of our nation's transit programs is put in jeopardy with the provisions of the reauthorization bill as they stand. The bill sends a clear signal as to the priorities of the federal government -- and that signal heralds an abandonment of our urban and metropolitan areas.

We don't need a no-growth approach to public transportation. We need a bold, expanded federal emphasis on transit.

Many of the provisions of the reauthorization bill will have a substantial negative effect on our ability to maintain the present level and quality of service required to meet the needs of the citizens of St. Louis. Since 1985, Bi-State has seen a decline in federal operating assistance of 35%. Similarly, Section 3 capital assistance had declined 51%. Stability in funding and a true partnership between local and federal interests is what we seek.

One aspect of the administration's bill we most vigorously oppose is the immediate elimination of operating assistance. With the loss of federal operating assistance as proposed, our projected deficit for FY 1992 increases to a devastating $18 million. This loss of funding will create a severe hardship for those in our community who are most dependent on public transportation and will suffer most from increased fares and decreased service.

The loss of operating funds is not our only concern, however. Under the proposed bill, the federal government's share of funding for capital grants decreases from the present 80 percent to 60 percent. This has the effect of doubling the local transit dollars required for purchase of needed capital equipment and vehicles at a time when transit agencies find themselves faced with serious budget deficits brought on by recession and previous cuts in federal aid.

Doubling the local share requirement will essentially mean that the St. Louis region will be unable to continue its shift away from dependence on the energy consuming automobile to a more energy efficient mass transit option. It is contrary to the understanding that some of us hold that public transportation can be the single most important factor in the reduction of our nation's dependence on imported oil. Contrary, because communities simply could no longer afford to invest in transit. We continue to hear from the people of both Missouri and Illinois that the reason they are willing to invest in Metro Link is specifically because they are cognizant of the direct link between transit systems and decreasing our nation's dependence on foreign oil.

Bi-State's capital needs over the next five years total $109 million for new transit buses and other essential system improvements and customer amenities.

If no additional source of capital funding is found, we will have to reduce our program by one-half. The quality and reliability of service we are able to provide to our customers will decline.

St. Louis has made a commitment to managing mobility in our region efficiently and effectively by modernizing our public transit system with the introduction of the Metro Link light rail system. St. Louis is one of three regions with a Full Funding Agreement receiving discretionary monies earmarked for new rail starts. Because of this, the reauthorization bill's changes with regard to new start funding are of grave concern to us.

To complete Phase I construction on Metro Link's initial line, Bi-State needs $41 million dollars yet to be appropriated-- $16 million remaining on our full-funding contract and $25 million additional for an airport connection.

Phase II of Metro Link-- a second, connecting corridor in Illinois-- is currently in alternatives analysis. Expansion in this corridor would cost $250 million to complete. Expansion of Metro Link in Missouri along the most heavily traveled connecting corridor in growing St. Louis County, the center of activity in our region, would cost $270 million.

Finishing the job on the initial segment of Metro Link and any future expansion will be much more difficult to accomplish given the doubling of local matching funds required from 25 percent to 50 percent.

We believe the reauthorization bill, as it stands, will seriously damage Bi-State's ability to continue to provide services required to meet even the basic public transportation needs of the people of the St. Louis metropolitan region. With the elimination of operating assistance and the increased local capital dollar requirements, our ability to respond to the mobility need of the citizens of our area is severely undercut.

The new Surface Transportation Assistance Act, as proposed, shortchanges transit. Under the bill, the imbalance between highways and transit is perpetuated with a 40 percent increase in federal highway spending and a no-growth policy for mass transit.

The reauthorization of the Surface Transportation Assistance Act will set the course for national transportation policy into the 21st century.

We strongly urge your support of an amended bill that gets the job done. We need a strong federal public transit program such as the House Public Works and Transportation Committee has recommended to the Budget Committee that provides funding for a $34.5 billion five-year federal transit program, extension of the current gas tax through 1998 and recapture of the 2.5 cents per gallon gas tax that goes to deficit reduction.

The Committee's recommendations are based on transit needs. The funding increases proposed are needed to maintain and improve our urban public transportation infrastructure and pay for federal mandates under the Americans with Disabilities Act and the Clean Air Act.

We were particularly pleased to receive the Committee's staff paper entitled, "Metropolitan Transportation Initiatives." Several of the strategies in the paper strengthen and enhance the capital funding program for public transportation. The Early System Work Agreement process is a concept that enables mass transit operators to manage and finance capital investment projects with vision. St. Louis is one of the three areas in the country with a Full Funding Agreement and would be able to take advantage of the proposed Early System Work Agreement. One simple opportunity would be land banking railroad rights-of-way enabling more efficient management of our long-term program.

Another aspect of changes in the Full Funding Agreement that would be particularly useful to the St. Louis area would be efforts to provide for a more efficient flow of funding. We support the concept to maximize construction efficiently by ensuring that federally sponsored projects can maintain the flow of funds through borrowing mechanisms and thus eliminate any disruption and increased costs caused by the federal disbursement process.

Congress plays a vital role in setting national transportation policy. Statutory earmarking of transit funds provides an opportunity for Congress to directly impact mass transit decisions. Very often Congress sees the bigger transportation picture and thus can respond to national issues. Foregoing statutory earmarking of funds dilutes congressional influence to shape national policy. Consequently, we would not support this proposal.

Another concept which we would strongly support is the idea of the Build-Operate-Transfer procurement mechanism. We believe it is important to the transportation industry to be able to bring about more creative approaches to the implementation of high technology transportation projects. If under some circumstances Build-Operate-Transfer is a faster, more efficient means of bringing about transit improvements, then it should be encouraged.

Similarly, multi-year procurements of rolling stock -- just makes plain good sense. It provides an opportunity to bring lower cost, higher quality transit equipment to the public transportation customers. We applaud your support.

This week the Bi-State Board of Commissioners adopted a resolution urging Congress to adopt a more flexible transit program aimed at creating a balance between highway and transit interests. I would like to submit this resolution to the committee for placement in the record. Additionally, our Agency has adopted a more comprehensive policy paper delineating our views in more detail on this transportation legislation. I would like to leave this report with the committee for review and inclusion in the record.

Before I conclude, I would like to thank Senator Bond for his continued support of our transportation programs in Missouri. Senator Bond's support has helped make an improved transportation system a reality in St. Louis.

Thank you, Mr. Chairman, for the opportunity to provide this testimony on behalf of this most important issue.

Submitted By: John K. Leary Jr.
Executive Director
Bi-State Development Agency
707 North First Street
St. Louis, Missouri 63102
(314) 982-1588

RESOLUTION

WHEREAS, the nation must address the important domestic challenge to provide for an integrated national transportation system; and,

WHEREAS, transportation accounts for 64% of U.S. oil consumption and encouraging increased use of mass transportation is among the quickest and cheapest ways to improve transportation energy use and reduce commuter congestion; and,

WHEREAS, transit reduces pollution per passenger-mile compared to single-occupant vehicle travel, the least efficient and most polluting form of urban transportation; and,

WHEREAS, transit meets needs that the marketplace does not, such as mobility for persons with disabilities, the economically disadvantaged and senior citizens--people who will suffer the most from reduced federal aid for transit; and,

WHEREAS, growth in vehicle miles travelled (VMT) will impose ever greater demands on roads and highways, adding to congestion and reducing productivity and transit will allow us to move more people without increasing VMT; and,

WHEREAS, declining investments in infrastructure cause productivity to lag and make it harder for the U.S. to compete in world markets and investments in transit are especially cost-effective leading to more effective long-term developmnet and use of existing commercial adn industrial facilities; and,

WHEREAS, transit simultaneously addresses the problems of energy dependence, air pollution, limits on mobility for many citizens, congestion and declining productivity.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Commissioners of the Bi-State Development Agency urges that our national transportation policy strengthen the federal mass transit program provided for in the reauthorization of the Surface Transportation Assistance Act by:

1. Increasing funding to restore the 50% cut experienced in the 1980s and to expand services to meet critical urban needs; increasing support for transit to $5.5 billion in FY 1992; and, expanding support to $11 billion annually within the next five years.
2. Offering balance by eliminating program biases that favor highways and restrict state and local areas' transit options, thereby equalizing federal shares for highway and transit projects and perserving operating assistance for all transit systems.
3. Allowing flexibility so that state and local governments can make objective decisions about comprehensive transportation, land use, energy and environmental plans.

(Rev. 3/12/91)

THE BI-STATE DEVELOPMENT AGENCY:
A Preferred Federal Legislative Agenda

Introduction

The Bi-State Development Agency was created by a compact between the states of Missouri and Illinois, which was ratified by the United States Congress in 1949.

The authority granted in that compact has enabled the Agency to assist with and implement programs and activities of regional significance crossing boundaries between both states, six counties and more than 200 municipalities and taxing districts.

Over the past 40 years, the productive relationship which has existed between the Agency and Congressional legislators representing the St. Louis metropolitan area has enabled Bi-State to play an important role in the growth and development of the region.

Although the Agency owns and manages an airport, operates the transportation system in the Gateway Arch and is involved in the development of a resource recovery project, Bi-State is most widely recognized as the region's "bus company."

Bi-State Transit, and the people of St. Louis, have benefited over the years from federal mass transportation programs which have provided vital capital and operating funding for the system.

As our representative in Congress, you have the ability to influence the shape of federal legislation affecting the transit industry in general, and Bi-State specifically.

We would, therefore, like to share with you our perspectives on funding and transit legislation pending action in Congress now, and legislation specific to Bi-State affecting our compact which will be introduced in the near future.

The bills for which we seek your support for our positions include:

- Surface Transportation Assistance Act of 1991 and the FY 1992 Budget
- Omnibus Tax Bill and Proposed Federal Tax Provisions
- Public Transit and Van Pooling Ridership Equity Act
- Bi-State Compact Amendment for Metro Link Fare Collection and Security

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Bi-State Operations

With a $93 million budget, the Bi-State bus system provides almost 45 million passenger trips a year in the St. Louis metropolitan area. We also currently have under construction Metro Link, the region's new 18 mile light rail system scheduled to begin revenue service in July, 1993 – a $288 million investment which St. Louisans believe will play a key role in strengthening the growth and development of our region.

Because Bi-State currently derives about 12% of its operating revenue from federal sources, and because capital assistance for new equipment and construction of the Metro Link project are vital to our overall program, we have an overriding interest in seeing the federal commitment to public transportation not just maintained, but strengthened.

Reauthorizing the Surface Transportation Assistance Act

The proposed bill which reauthorizes the Surface Transportation Assistance Act would enact sweeping changes in the way in which transit and highway programs are funded. Some of these changes we view as positive. Many, unfortunately, we believe will be harmful in the long run to our nation's efforts meet the mobility needs of our urban areas and, more specifically, harmful to the public mass transit industry.

One positive aspect of the bill is the apparent end to a decade long effort on the part of the administration to reduce investment in mass transit. Under the proposed bill, the Mass Transportation Administration's budget would actually increase slightly next year over the current level. For this, we lend our support.

Such a proposal is welcome news, particularly in this time of general concern with the economy, both nationally and in St. Louis. Since 1985, Bi-State has seen a decline in federal operating and capital assistance of 35%. Stability in funding and a true partnership between local and federal interests is what we seek.

Spending on research and planning is one area proposed to be increased by 60% in the administration's bill. One third of the funding for planning and research will be used for a national program, the remainder will be available for state and local programs. We support this increased emphasis and believe the level of research and planning activities proposed are vital to the long-term, future viability of the overall transit industry.

However, while we applaud these moves, many of the provisions of the proposed legislative reauthorization bill concern us greatly and will have a substantial negative effect on our ability to maintain the present level and quality of service required to meet the needs of the citizens of St. Louis.

One aspect of the administration's bill we most vigorously oppose is the immediate elimination of operating assistance to areas of more than one million in population. Bi-State derives almost 15% of its operating income, or $10 million, from federal assistance. This loss in funding will certainly create a severe hardship for those in our community who are most dependent on public transportation.

Because we largely depend on sales tax revenues for income, the general economic downturn has already had a significant effect on our budget. This year, the economy and the fuel price increase caused by the instability in the Middle East has created a $3 million shortfall for Bi-State. And, next year, if we do not find additional sources of revenue, we are projecting a budget shortfall of approximately $8 million.

With the loss of federal operating assistance as proposed, our projected deficit for FY 1992 increases to a devastating $18 million.

The proposed bill would allow areas under one million to count all supplies and materials, such as tires and spare parts, as capital maintenance items. These areas would retain operating assistance as well. Areas under one million would be able to incur expenses for supplies, materials and operations up to their 1991 operating cap levels. We would support all areas, regardless of population, being placed under this same formula grant program.

While we are concerned about the elimination of operating assistance, we are supportive of the change in the administrations's proposal to transfer $600 million in discretionary rail modernization funds to the new Section 9 formula grant program. This shift corresponds with the manner in which these funds have been administered in the past and has the effect of sharing the modernization and upkeep resources with new systems now beginning to need this funding source.

Another aspect of the administration's bill about which we are very concerned is the proposed change with regard to capital program assistance. Under the proposed bill, the federal government's share of funding for capital grants decreases from the present 80 percent to 60 percent. This has the effect of doubling the local transit dollars required for purchase of needed capital equipment and vehicles at a time when transit agencies find themselves faced with serious budget deficits brought on by recession and previous cuts in federal aid.

Bi-State's program to replace our aging 10 year old fleet with newer vehicles will be significantly reduced with this new capital grant matching requirement. This current budget year we purchased 119 new buses, and next year we would order 69 additional vehicles. This level of capital acquisition will have to be reduced under the new program if we have no additional source of capital funding, affecting significantly the quality of service we are able to provide to our customers.

St. Louis is one of three regions with full-funding agreements receiving discretionary monies earmarked for new rail starts. Because of this, the reauthorization bill's changes with regard to new start funding are of grave concern to us also.

To complete construction on Metro Link's initial line, Bi-State needs $41 million dollars yet to be appropriated-- $16 million remaining on our full-funding contract and $25 million additional for an improved, multi-modal airport connection. $20 million in additional funds will also be needed shortly, upon completion of alternatives analysis now underway, for engineering work to extend Metro Link into St. Clair County.

Finishing the job on the initial segment and any future expansion of Metro Link will be much more difficult and expensive to accomplish given the doubling of local matching funds required from 25 percent to 50 percent.

This essentially means that the St. Louis region will be unable to continue its shift away from dependence on the energy consuming automobile to a more energy efficient mass transit option.

We believe the reauthorization bill, as it stands, will seriously damage Bi-State's ability to continue to provide the services required to meet even the basic public transportation needs of the people of the St. Louis metropolitan region. With the elimination of operating assistance and the increased local capital dollar requirements, our ability to expand the role of transit in our area is severely undercut.

Of great concern to us also is the fact that the administration proposes to fund transit programs solely out of trust fund sources. Previously, general funds were the primary source of assistance, with only discretionary grants coming from the trust fund. The proposed shift in funding source and the spend-down of the trust fund raises certain long-range problems.

The choice to shift to the trust fund as the sole source of funds leaves Congress facing a dilemma for the post-1996 transit program-- either reduce the program to match the trust fund revenue base, return to the use of general fund appropriations or increase the transit share of highway trust fund revenues. We are concerned that mass transit funding may be in severe jeopardy in the future and would urge a return to the policy of funding transit out of general and trust fund revenues to avoid this thorny problem at the time of the next reauthorization bill.

The new Surface Transportation Assistance Act, as proposed, shortchanges transit. Under the bill, the imbalance between highways and transit is perpetuated with a 40 percent increase in federal highway spending and a no-growth policy for mass transit.

The growth budget and more favorable matching ratios for highway programs is an indication that the administration has yet to come to grips with putting together an integrated, balanced, multi-modal transportation assistance program which rationally reflects a sensible, national transportation policy.

National and local concerns with the need for energy conservation, congestion relief and improved air quality in our urban areas can all be addressed by an increased emphasis on public transportation. However, the future viability of our nation's transit programs is put in jeopardy with the provisions of the reauthorization bill as they stand. The bill has the overall effect of de-emphasizing transit.

Even the proposed name change for the Urban Mass Transportation Administration (UMTA) to the Mass Transportation Administration makes a statement about de-emphasizing the importance of urban areas and the retreat of the federal government from transit. At the very least, UMTA should have the same standing as the "Federal" Highway Administration or the "Federal" Railroad Administration. We would propose no name change for UMTA or, at the very least, a redesignation as the "Federal" Mass Transportation Administration.

The bill indeed sends a clear signal as to the priorities of the federal government-- and that signal heralds an abandonment of our urban and metropolitan areas.

Secretary Skinner, in his letter to House Speaker Thomas Foley transmitting the reauthorization bill, spoke about the biggest challenge for transportation in the coming decade being the provision of adequate resources to maintain and improve the national infrastructure.

In St. Louis, we believe that transit is a key component of that infrastructure. Unfortunately, under the provisions of the Surface Transportation Assistance Act, as proposed by the administration, we foresee serious difficulty maintaining and improving our public transportation system.

What we need is not a no-growth approach, but a bold, expanded federal emphasis on public transit. This reauthorization bill will set the course for national transportation policy into the 21st century.

There have been tremendous successes in many cities around the nation with the strengthening of public transportation-- but the job is not finished. Let's learn from and build on the successes to date and not abandon our program unfinished.

The reauthorization bill and the proposed Fiscal Year 1992 Budget, with a $3.5 billion commitment to mass transportation reflect a short-sighted approach to funding transit's real needs. We believe that an adequate funding program for transit requires at least $5.5 billion for the first year of a five-year program, and would urge your support for this level of appropriation.

Federal Tax Revisions

We also urge your support for specific revisions to the Tax Reform Act of 1986 which would relax provisions restricting tax exempt issuers (including transit agencies) access to municipal markets.

Specifically we would like to see:

> Arbitrage Rebate Relief In the past a public entity could prefund capital requirements in a tax-exempt market and, pending expenditure, reinvest those proceeds in higher-yielding taxable market until needed. Under the 1986 Tax Bill, the additional funds yield, "arbitrage," had to be rebated to the federal government unless proceeds were spent within six months. Limited relief was provided in 1989 for construction proceeds reinvestment, however, transit agencies also need relief for equipment acquisitions. Additionally, Debt Service Reserve Funds, critical to an issuer's ability to market bonds, should not be subject to the rebate provision.
>
> Repeal of Volume Cap and Alternative Minimum Tax (AMT) The 1986 Tax Bill eliminated the chance for tax-exempt bodies to raise capital funds by safe harbor leasing assets to private entities in exchange for tax benefits. In addition, involvement of the private sector was further discouraged by limiting joint projects financed by public activity bonds to a "volume cap" allocation for each State based on population. Facilities which meet public needs, including transit facilities, should not be subject to such restrictions. Further, the alternative minimum tax (AMT) on interest payments to bondholders as it applies to municipal bonds should be repealed. This market penalty on such bonds serves only to increase the issuer's cost of funds.
>
> Transit Facility Eligibility for Infrastructure Bonds Under the Domeneci-Boren Infrastructure Bill, S.700, mass transit is not included in the definition of eligible infrastructure facilities for this new category of tax-exempt bonds. This new Infrastructure Bond would not be subject to a volume cap or the AMT on interest payments to bondholders.
>
> Exclusion from "Hedge" Bond Provisions for Bonds Issued for Self-Insurance The Omnibus Tax Bill of 1989 contained certain provisions limiting the issuance of "hedge bonds," securities not linked to specific capital needs or cash flow requirements. Unfortunately, bonds issued by transit agencies for self-insurance needs fall under this category. We would urge your support for the specific exclusion from the hedge bond provisions in the tax law for bonds issued for self-insurance purposes by public entities, including transit agencies.

Public Transit and Van Pooling Ridership Equity Act

Legislation to promote increased use of public transit can have significant environmental, energy and economic benefits.

The Public Transit and Van Pool Ridership Equity Act is a bill that would do just that by increasing the tax-free monthly allowance for employer provided fringe benefits, such as a reduced-cost transit pass, from $15 to $60. Employer provided vanpooling would also quality as an allowable fringe benefit.

We urge your support for this important legislation. Your co-sponsorship of S. 26 or H.R. 1145 would be greatly appreciated.

Bi-State has an active program to encourage employers to subsidize passes for their employees. Passage of this legislation would really help Bi-State to promote increased use of transit by commuters.

Bi-State Compact Amendment for Metro Link Operations

Revenue service on the initial corridor of Metro Link is scheduled to begin July, 1993.

Community acceptance and the overall success of Metro Link will depend to a large extent on the Agency providing a safe and secure system environment and insuring compliance with the fare collection system planned.

To do this, Bi-State must have the authority and means to address fare evasion and unlawful behavior on or about its facilities.

This authority, which requires an amendment to the Agency's compact, is granted by legislation which must be enacted by the states of Missouri and Illinois and ratified by the U.S. Congress.

Bi-State is currently seeking legislation in Missouri and Illinois to allow the Agency to adopt rules and regulations pertaining to fare collection and other behavior, to enforce those rules, and have the cooperation of the court system in exacting penalties for violations.

Upon passage by the General Assemblies of Missouri and Illinois, this important legislation will need to be introduced in Congress and enacted by the Senate and House of Representatives.

Passage of this compact amendment is critical to the success of Metro Link. We would hope that you will support and co-sponsor this important bill.

The Future Starts Today

The perspectives we have presented on pending federal legislation represent what the Bi-State Development Agency believes it must have to ensure the continued provision of quality public transportation services for the St. Louis metropolitan area.

We hope that you can support our positions and will work to maintain a federal funding level and regulatory environment that promotes the development of transit.

The Agency would like to express its appreciation for the work you have done in the past in support of Bi-State in particular and public transportation in general.

The Bi-State Development Agency is a "quasi-public" agency which receives funding from local, state and federal sources. The Agency is authorized to issue tax-free revenue bonds and collect fees from the operation of its facilities.

Board of Commissioners

Thomas W. Purcell
Chair

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Robert Furmanek
F. G. McGraw
Carl E. Mathias
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Missouri Commissioners

Rev. Freddy James Clark
Richard P. Conerly
Donald Klingler
Menlo Smith

For additional information on our positions with regard to specific legislation, please contact:

John K. Leary Jr.
Executive Director

Bi-State Development Agency
707 North First Street
St. Louis, MO 63102

(314) 982-1588

STATEMENT OF

JOSEPH M. MAGALDI, JR.
DIRECTOR
DEPARTMENT OF TRANSPORTATION SERVICES
CITY & COUNTY OF HONOLULU

BEFORE THE
SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

APRIL 24, 1991

ON

THE REAUTHORIZATION OF THE
SURFACE TRANSPORTATION ASSISTANCE ACT

City & County of Honolulu
Honolulu Municipal Building
650 South King Street
Honolulu, Hawaii 96813

Good afternoon, Mr. Chairman and members of the Subcommittee. My name is Joseph M. Magaldi, Jr. I am the Director of the Department of Transportation Services for the City and County of Honolulu. I very much appreciate your invitation to testify on Honolulu's Rapid Transit Project.

Introduction

When most people think of the State of Hawaii, they usually visualize our fine beaches, lush tropical landscapes and sprawling sugarcane and pineapple plantations. While much of our state is graced with such natural beauty, Honolulu is no different than other major metropolitan cities when it comes to transportation problems. People who have never been to Honolulu have a hard time appreciating the extent of our traffic congestion. To begin my testimony, I would like to share with you some statistics that may startle you.

First, the City of Honolulu is the nation's eleventh largest city. Per square mile, we are one of the most densely populated cities in the United States with daytime densities approaching that of Manhattan. Each year, over 60,000 new motor vehicles are registered in Honolulu. The number of cars on Honolulu's streets has risen from 244,000 in 1967 to over 610,000 vehicles in 1989 -- an increase of over 150 percent. As a consequence of this growth, Hawaii has more vehicles per highway mile than any other state in the Union.

Our problem, Mr. Chairman, is that we are not in a position to encourage more people to leave their cars at home and utilize our existing bus system. In Honolulu, bus ridership on a per capita basis, ranks second only to New York City. We have already maximized the potential of our bus system and further efforts would only yield a diminishing return.

Honolulu's highway system has reached the point of saturation. The highway capacity in the City and County of Honolulu was exceeded more than ten years ago. During the morning rush hour, it regularly takes more than one hour to travel 15 miles on our major interstate and primary highway corridors. Our peak transit period has grown to almost 7 hours per day, which places Honolulu on par with the transit service demand of New York City.

Twenty-seven years ago, Honolulu's urban planners recognized the long term mobility needs of Honolulu. Since then, over 200 studies have been conducted, all of which yielded the same conclusion: a fixed-guideway system was the most cost-efficient and practical way of meeting Honolulu's mobility needs. In fact, this conclusion was first reached in 1967, and in every study since then the conclusion has been the same. In 1982, Honolulu was given UMTA's commitment for final design and construction of rapid transit system. Subsequently, there was a change in city government, and an unfortunate decision was made to cancel the project.

Project Summary

In the intervening years, the impact of that regrettable decision is seen each morning and evening as Honolulu residents begin their trek to and from work. Now with the combined support of federal, state, city and county government officials, the city is moving forward with a 17.3 mile fixed-guideway system stretching from Ewa on the west, through downtown with two spurs on the East, one to Waikiki and one to the University of Hawaii. Our system will be fully grade separated, mostly elevated with the exception of a 1.3 mile tunnel in the downtown historic district. Our project is estimated to cost $1.2 billion (in 1988 dollars) and is expected to carry over 165,000 riders per day with total bus and rail ridership expected to be over 255,000 per day by 2005.

Perhaps most important, Honolulu proposes to fund 70% of the construction costs of this system with local funds while applying for Section 3 New Start Discretionary Grants for the remaining 30% of costs. This financing plan which we will expand on below, includes a unique effort to attract private financing for as much as 35% of the total project cost while maintaining a definite source of local funds to insure the project's completion.

Project History

In September, 1989, the City and County of Honolulu submitted its Alternative Analysis/Draft Environmental Impact Statement (AA/DEIS) to the Urban Mass Transportation Administration (UMTA). UMTA approved our AA/DEIS in March, 1990. Our locally preferred alternative was selected in July, 1990 and UMTA approved the initiation of preliminary engineering in October, 1990.

On November 1, 1990, we issued our Request for Proposal to potential vendors in which a single turnkey contractor will be selected to design, build, operate and maintain (for 5 years) a fully integrated fixed-guideway system. Proposals are due to be returned to the City on May 15, 1991. Our current schedule calls for vendors to be selected in December, 1991 with construction scheduled to begin in July, 1992. The project should be completed by mid-1997.

Financing Construction Costs

Recognizing that local momentum and maintaining local support are key to the successful implementation of any large public works project, the City and County of Honolulu determined that reasonable speed in construction and implementation were critical to accomplishing our goal. After an analysis of the financing capabilities of the UMTA Section 3 New Start Discretionary Program, given current and expected demands, we concluded that we might be able to rely on only 30% federal assistance for the various alternatives in our AA/DEIS. Thus, a decision was made to finance 70% of construction costs locally while utilizing the U.S. Department of Transportation's "overmatch" policy in an effort to expedite our planning approval.

Consequently, with the combined leadership of a governor and mayor of different political parties, the Hawaii legislature passed legislation to establish a unique, but dedicated mechanism to fund construction costs. In an effort to maximize private participation, the legislature provided a 17 year authorization of $50 million per year for the construction of the project. This authorization is sufficient to provide 35% of the total cost of construction, or one-half of the local share. The remaining half of the local share (the other 35% of the total cost) will be funded through private participation in the RFP process. This participation may include development rights of land parcels, on or adjacent to, the proposed route right-of-way, or possible relief from city regulations and requirements related to real estate developments (i.e. floor area ratio requirements, building height restrictions or minimum parking space requirements). Virtually any financially sound innovation will be carefully considered.

The City and State, however, have not blindly relied on the private sector to finance our project. Therefore, in the event that private sources of revenue are insufficient, the Hawaii legislature also enacted legislation which would give each of Hawaii's counties the authority to enact a 0.5% increase in the state's general excise tax, provided that the proceeds from such increase be used for the construction of the rapid transit system in the City and County of Honolulu, and for other infrastructure and transportation projects in other state counties. If this tax is enacted in Honolulu, annual revenue proceeds to the rapid transit project are expected to be $103 million per year.

Improved Management of Capital Investment

Your letter of invitation to this hearing asked that I focus my remarks on improved management of transit capital investments. Having given you some background on our project, I would like to devote the remainder of my testimony to procurement and management issues.

The Conventional Procurement Process

Historically, rail transit systems in the United States have been designed and built under a conventional procurement process where the owner, or transit property, carries out the design utilizing engineering firms, and then procures the equipment and construction under a multitude of separate contracts. Under this approach the system design and integration of procured end products are the sole responsibility of the transit property. The equipment suppliers' and construction contractors' responsibilities are limited to the implementation of the owner's specific designs regardless of the reasonableness of these designs. As problems are encountered the full burden of problem resolution and project implementation falls upon the transit property which is then confronted with large overruns and schedule delays.

The conventional procurement process was developed on the basis of conventional rail transit technology where there existed a large competitive market with supplier's of competitive items of equipment that could be mixed and matched to configure an integrated transit system. The laws and regulations governing federal participation in fixed-guideway transit projects have been developed primarily on the basis of this conventional procurement process.

With computer and other technological advances, a variety of non-rail type fixed-guideway transit technologies are now available competitively in the marketplace and successful projects are being built. The major subsystem within a specific system technology are uniquely designed and integrated to form a proprietary design. These proprietary systems are best procured through turnkey contracts.

Reasons Why Honolulu is Applying the Turnkey Systems Procurement Approach

Honolulu is applying the turnkey systems procurement approach for the Honolulu Rapid Transit System primarily as the means to improve the management of the capital investment. Honolulu's specific reasons are as follows:

1. Lower costs through maximum competition. The choice of transit technology will be competitively selected via the turnkey procurement process. This process provides for the widest possible competition among available technologies. This avoids having to select the technology solely on the basis of studies and provides a realistic forum to select the technology based upon what a given manufacturer, or systems integrator presumably does best for a fixed price.

2. Encourage use of technologies of proprietary designs. The conventional procurement process does not encourage and, in fact, discourages proprietary designs. Therefore, this turnkey procurement approach must be applied for the automated guideway technology as proposed in Honolulu.

3. Encourage private participation in funding the project. Transportation and transit projects have historically provided a basis for other beneficial economic activity. At the turn of the century, transit projects were carried out by private entities to provide access to and make feasible large real

estate projects. The profits from these enterprises paid a significant portion of the cost of the transit system.

A primary goal of the Honolulu turnkey procurement is to make possible and attract significant private participation in funding the project. The turnkey contract provides a larger and wider base of business activity in which concepts for privatization and joint development can be defined and packaged, increasing the opportunity that privatization can be realized. Under the conventional procurement process the contracts are of much smaller size and are restricted to specialized activities, thereby, not lending themselves to be coupled with other business activities to encourage and create private interest projects that could reduce overall costs. Privatization under a conventional procurement is accomplished as a separate activity and usually does not generate any economic synergy with the project's contracts in which the capital investment is being made.

In contrast, the Honolulu turnkey approach maximizes the opportunity for the taxpayer's capital investment to leverage privatization, which can in turn reduce the capital investment.

4. Control of costs and schedules. The turnkey systems procurement approach is being applied successfully to major fixed-guideway transit projects in a number of countries throughout the world. (See Appendix I for a list of many major turnkey transit projects.) Under the conventional procurement process, all risks of the design and system integration of a large number of contracts falls on the transit property. Each contractor's risks and responsibilities regarding any interface problems and/or

schedule delays are assumed to be very limited, but are in fact unlimited. Problems with one contract can cause significant delays and cost increases on other contracts.

Under the turnkey contract arrangement, the contractor is responsible for design, system integration and project construction management. Having agreed to a fixed price, the contractor has assumed the risks associated with these activities. If the contractor is to make a reasonable profit it must diligently manage the project and control its costs and schedules. This profit motivation factor is not similarly at work under the conventional procurement process. In fact, where the transit property is a public entity, there is often a diverse set of local government groups which can influence design and construction management decisions. Unfortunately these groups may not be affected by the impact on schedule phasing and additional costs such decisions can have.

Applicability of Turnkey Systems Procurement Under Current Federal Laws and Regulations

During the implementation of our project we have confronted a number of areas where changes or improvements in laws and/or regulations would be helpful in simplifying the turnkey system procurement process.

It is important for the subcommittee to understand that these recommended statute or policy changes are not meant as a criticism of UMTA; to the contrary, UMTA has worked diligently with us in working through this turnkey process. Without UMTA's advice and support our project would be nothing more than a concept.

Some have criticized the UMTA planning and regulatory requirements as overruns. Frankly that has not been our experience under Administrator Clymer's leadership. We have found that if one accepts UMTA's role as protecting the public interest and works within that concept, UMTA staff can be very creative and innovative and help find a solution to a mutually difficult problem.

We would, however, echo a point that has been made to the committee by others: UMTA needs additional staff. We find the volume of work these project managers process almost incredible.

The following issues, which we refer to as "showstoppers" are major issues which we have confronted and worked to a successful conclusion, or are still in the process of discussing with UMTA. We offer these issues for your consideration so that those who might follow behind us might be better able to deal with them.

1. Full Funding Grant Agreement (FFGA). Under current regulations, UMTA cannot provide its FFGA until Preliminary Engineering and a Final Environmental Impact Statement (PE/FEIS) are completed and approved. Conventional procurements are not started until the FFGA is entered into. Therefore, funding must be firmly in place prior to the start of any of the major procurements.

   Under the turnkey procurement, the Preliminary Engineering and Final Environmental Impact Statement is to be made on the basis of the selected transit technology. Where proprietary designs are included and the widest possible range of competition sought, the contractor and its proposed technology must be selected prior to the completion of the PE/FEIS. Since the FFGA has not yet been entered into, funding for the project has not been fully committed.

Therefore, any turnkey contract must include a provision which does not commit the City beyond the first phase, PE/FEIS, making the completion of the contract contingent upon the FFGA. This provision, which is included in the Honolulu RFP, places some uncertainty in the competitive arena and proposers are hesitant to make a significant investment in a detailed proposal which is required for the more complex turnkey contract. In fact, most serious vendors will spend several million dollars just to submit a credible proposal for our project.

The lack of the FFGA at the time when the competition for the turnkey contract is to be carried out, places the full financial and legal burden of project implementation on the City. The Early Systems Work Agreements described in the Staff Discussion Draft of your Metropolitan Transportation Initiative could be used to lighten this burden on the City. Also, provisions of a phased FFGA prior to PE/FEIS might be considered. Each phase of the FFGA might be conditioned upon the successful completion of specifically defined milestones. The FEIS could be one of the conditions. This would allow early commitment of the funding, contingent only on specific items, whereas the present process makes no commitment at all at the time the turnkey procurement competition is to be held.

2. Bonding. Current UMTA policy for surety bonds requires that a grantee comply with all state and local law provisions with respect to performance and payment bonds. If UMTA is not comfortable with the grantee's ability to comply with all state and local laws or if it feels its interest are not adequately protected, it requires 100% performance and payment bond on the construction portion of the project. Under the conventional procurement process which has multiple

construction and equipment contracts, bonds at 100% of the contract price are readily available. However, for a turnkey contract there is only one much larger fixed-price contract which can easily exceed the available bonding capacity for a single construction project. Surety industry officials have advised us that total worldwide bonding capacity for a single construction project is approximately $250 million. To give a sense of the magnitude of the problem, about $735 million of Honolulu's turnkey contract is directly related to construction costs. Thus, we have been confronted with how to deal with what constitutes an acceptable level of risk beyond that which is commercially insurable.

There is another concern, however; that is the enforcement of a 100% performance and payment bond might greatly skew the procurement process. Some contractors may be able to have the 100% bonding requirement backed by the full faith and credit of their government. Other vendors who do not have their response may decide to simply not bid. Thus, we endeavored to level the playing field for all vendors while protecting the financial interests of federal and state government.

UMTA has been very helpful in assisting us in resolving this problem. On the one hand you have a de facto limitation on surety due to risk experience of the surety industry. On the other hand there is the legitimate interest of the federal government, through UMTA, as well as the City of Honolulu to insure that the turnkey operator performs under the terms of his contract and safeguards federal and local interests should default occur in the midst of the project.

Tentatively, we have reached agreement with UMTA that vendors will be limited to providing at least $250 million in surety. Upon the selection of a vendor, we will undertake a very detailed risk analysis to determine what portion of construction contracts might be at risk beyond the $250 million threshold at a given point in time. UMTA may require the City to establish a cash reserve fund to cover any risk beyond $250 million.

As you can see from my description this is a very complex, but important issue. UMTA has shown flexibility in helping us deal with an issue which is beyond our control. Nevertheless, it has been a process that has taken a significant amount of time to resolve, both from our perspective and UMTA's.

In the alternative, if turnkey projects are to be the norm in future transit procurements, some consideration should be given to the provision of federal guarantees for bonding coverage beyond worldwide capacity. Such coverage could be available at comparable rates and terms as the initial $250 million of coverage.

It is entirely possible that given the low default rate for rapid transit construction projects (this is due primarily to the direct civil liability which a vendor has to the transit property) that such a program could actually make money for the federal government.

3. Buy America. Earlier in my testimony I outlined many of the advantages of a turnkey procurement. Among those advantages is the ability to procure a system and technology which best meets the requirements of solving a city specific urban

transit problem. Honolulu's negotiated turnkey procurement allows critical elements of a proprietary system to be considered in addition to price to determine whether or not that system best meets the transportation, environmental and financial needs and resources of the city it will serve.

The ability to select a system on the basis of other factors in addition to price is fundamental to a competitively negotiated procurement. Simply stated, a negotiated turnkey procurement permits a city to obtain "the most advantageous proposal, price and other factors considered."

Low bid is not the single determinant in the selection process, but rather a very important factor among many others. In the Honolulu RFP, price is weighed second only to technical qualifications of the system to meet the design criteria of the proposed route. However, other factors are also weighed in the selection process including financial impacts on the city and privatization and joint development proposals.

I have taken the time to develop our procurement process for you so that you might see a significant deficiency in the current Buy America statute and regulations. While the Buy America statute and implementing regulations clearly apply to a negotiated procurement, we have been informed by UMTA that when applying the 25% price differential to a non-Buy America complying bid, we must compare the lowest price complying bid, with the lowest price non-complying bid in order to determine whether or not a price differential waiver may be available.

By definition, this interpretation of Buy America will vitiate all of the evaluation factors described above and simply force a procurement based on price alone. Under 49 CFR 666.7 Waiver, Subsection (d) states:

> "the Administrator will grant a price differential waiver if the amount of the lowest responsive and responsible bid offering the item or material that is not produced in the United States multiplied by 1.25 is less than the amount of the lowest responsive and responsible bid offering the item or material produced in the United States."

In the alternative, we would propose that the comparison between an item or material produced in the United States and an item or material not produced in the United States be between "the most advantageous proposal (domestic and non-domestic) price and other factors considered."

Without the substitution of the phrase "most advantageous proposal, price and other factors considered" our procurement will be nothing more than a conventional low bid, losing all of the advantages, a competitively negotiated procurement brings to solving a specific urban transit problem.

Honolulu supports and intends to fully comply with Buy America, but the Congress' effort to insure reasonable domestic preface should not skew the procurement process such that _only_ low bids may ultimately be selected regardless of whether those bids comply, or do not comply with Buy America.

We raise these issues with you because they have the potential to literally end our project. While we are confident that we will resolve these issues, they have thus far taken a significant amount of time, both ours and UMTA's to resolve. It has only been through our own and UMTA's perseverance that we have come this far.

Mr. Chairman, I am honored to appear before your committee and I appreciate the opportunity to describe the Honolulu Rapid Transit Project. We are encouraged by many of the issues raised in the Staff Discussion Draft: Metropolitan Transportation Initiative, particularly aspects of Improvements to Full Funding Grant Agreements, the Turnkey Systems Procurement and Multiyear Procurement of Rolling Stock. We applaud these efforts to streamline transit project procurements. We look forward to working with you and your staff in making these improvements in the reauthorization bill.

I would be glad to answer any questions you or members of the Subcommittee may have.

APPENDIX I

The Turnkey Systems Procurement in Various Projects Being Throughout the World

The following are samples of turnkey systems procurements of large fixed-guideway transit systems.

1. Vancouver, B.C., Canada - A proprietary rail system design.
2. London Docklands, England - An automated rail system using conventional technologies.
3. Lille, France - A proprietary rubber tire system technology. Similar projects in Toulouse, Strarsburg and Bordeaux, France.
4. Taipei, Taiwan - Two systems, one using conventional rail technology and one using a proprietary rubber tire technology.
5. Hong Kong - a rail rapid transit system.
6. Athens, Greece - A rail rapid transit system being built by a Franco-German consortium.
7. Japan - A number of systems using proprietary rubber tire and monorail technologies in Tokyo, Osaka, Omiya, Nagoya and Kohe.
8. Bangkok, Thailand - A proprietary rubber tire technology.
9. Mexico City - A proprietary rubber tire technology (Mexico City Metro).

APPENDIX I cont...

While not large scale transit projects, all people movers, being proprietary designs, have been procured under turnkey procurements for at least the integrated electro-mechanical system. Example projects are:

Atlanta Airport
Las Vegas Airport
Las Colinas Urban Center
Newark Airport
The New Denver Airport
Chicago O'Hare Airport
Tampa Airport
Orlando Airport
Miami Airport
Jacksonville, Florida, Downtown People Mover
Miami Downtown People Mover
Detroit Downtown People Mover
Dallas/Fort Worth Airport
Rome Airport
Frankfurt Airport

Testimony by Kay Marrin
Project Manager
City of Chicago Central Area Circulator Project
before the Senate Banking, Housing and Urban Affairs Committee
Subcommittee on Housing and Urban Affairs
April 24, 1991

Good afternoon, Chairman Cranston, and members of the Committee. My name is Katherine Marrin, and I am the Project Manager of the City of Chicago's new downtown transit project - the Central Area Circulator. I am testifying today for the City of Chicago on its concerns regarding the future disposition of the New Starts Program. I would like to express my appreciation to the Subcommittee on Housing and Urban Affairs for giving us the opportunity to make our views known.

The City of Chicago at the present time is a beneficiary of UMTA's existing New Starts Program for a major transit improvement for the downtown business district. Subject to the selection of a preferred alternative late this summer, this project is proposed as a $600 million light rail system to improve the circulation and distribution of people within the expanding downtown. We believe that it is illustrative of the major capital transit needs of older but still growing urban areas. The develop of such a project is subject to many management and financing issues dictated by the federal process. We speak from experience since the City is near completion of the federally mandated Alternatives Analysis process with the draft Environmental Impact Statement which is ready for submission to UMTA. We expect to have the public hearing and select the preferred alternative by late this summer. I hope that my review of this project in relation to the federal process will provide the subcommittee ideas for improving that process.

This project has a long history - a history that I believe has lessons to offer. As early as 1968, the Chicago Central Area Transit Planning Study proposed a new subway system to serve its growing population. The study says, "...Chicago's central business district and contiguous areas will continue their intensive development through the foreseeable future....it is imperative that continuation of...major reliance on public transport be assured as the number of people entering the Central Area increases." In fact, these predictions were remarkably accurate. During the decade of the 1980's over $12 billion was invested in new construction in Chicago's downtown, representing a remarkable boost from the one billion dollars that had been invested in the decade of the 1960's.

Chicago eventually responded to its transportation needs by looking for a practical and relatively inexpensive mode to serve the increasingly expanding and dense Central Area. In 1981, a bus mall was established on State Street which cross the middle of the downtown. Service was efficient, but in the end the merchants believed that the presence of buses was excessive and interfered with their retail trade. Present plans are for restoring State Street to mixed traffic.

Transportation improvements must take into account the Central Area's physical restrictions. Street capacity in Chicago's Central Area is not capable of expansion. Any new transit system instituted must respect this limitation.

Chicago has learned two important lessons from its two decades of planning activity . First, the City learned that it must take a long view. Investing in major infrastructure must be based on a vision of the future. Despite fluctuations in the local economy, the region's population increased and private development continued to be attracted to the City's core. Even today, in the face of what is considered a recession, the City's downtown retail growth is substantially greater than the retail growth of the metropolitan area, the state, and the nation.

And second, we learned that whatever investments are proposed must reflect the City's unique situation. Chicago is an old city with a long and distinguished architectural heritage. Transportation that will serve Chicago must be considered in the context of Chicago's street system and Chicago's density . What will work in other cities may not be appropriate to our city. This point reflects the existence of unique local goals or benefits which must be considered in the federal review process.

Given our experience in developing a major transit capital improvement to address the transportation needs of an expanding downtown, the City of Chicago would like to make the following recommendations regarding the New Starts Program:

- Funding for New Starts should be increased to $600 million for FY 1992 with a growth factor thereafter. New Starts will become increasingly necessary as our population continues its migration from rural to metropolitan areas.

- Federal criteria, as applied by the U. S. Department of Transportation, are far too restrictive. The Administration's proposal unduly emphasizes ridership gain at the expense of other goals that address national objective uniquely attained at the local level.

The improvement of air quality, for example, is a national goal that affects urban areas in different degrees. Clearly transit is an alternative that can assist in the reduction of automobile usage. The Chicago region is a severe non-attainment area for ozone forming emissions. Yet our new start project, which will have a significant clean air benefit, is not adequately judged at the federal level as to the transit attributes required to achieve that benefit. The preferred alternative in this case must be perceived by the public as an attractive, well defined, efficient, and safe transportation option that encourages people to leave their cars at home.

Other national objectives are addressed by different transit benefits. Economic and social criteria are slighted by the Administration's new start criteria proposal which over emphasized the ridership factor. Current Federal law requires transportation access to persons with disabilities and seeks to promote service to transit-dependent people. Both of these objectives should serve as criteria for determining the federally funded preferred transit alternative improvement.

Economic development benefits such as increased opportunity for joint development or accessibility to newly developing areas must also be considered. This factor is not given sufficient consideration in the federal criteria assessment.

Acceptable criteria for New Start projects must not only be expanded, they must be determined at the local level in consultation with Federal transportation officials. Chicago's experience in developing a transit system for its historic downtown is unique. Acceptable goals should be negotiated depending on the local and regional situation.

I offer the following additional recommendations in brief:

- A higher Federal matching ratio for New Starts should be considered for non-attainment areas.

- Projects that are submitted to the Department of Transportation that are currently overmatched should retain their preferred status since they represent considerable local effort and commitment in response to federal urging. However once these projects are completed, the overmatch factor should receive less consideration but remain as one of many factors to be assessed.

- The Alternatives Analysis process should be simplified. The sheer volume of required reports adds to the costs of the process. Time and money could be saved if this process were streamlined. The Alternatives Analysis process could be incorporated into preliminary engineering.

I thank the subcommittee for this opportunity to present my views on the federal new start program. I hope it assists you in your difficult task to make improvements to the program that are viewed by all as fair to their unique situation.

TESTIMONY OF

PETER E. STANGL

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

METROPOLITAN TRANSPORTATION AUTHORITY OF NEW YORK

BEFORE THE

U.S. SENATE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

WASHINGTON, D.C.

APRIL 24, 1991

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM PETER STANGL, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF NEW YORK'S METROPOLITAN TRANSPORTATION AUTHORITY (MTA).

THANK YOU FOR INVITING ME ONCE AGAIN TO TALK ABOUT THE REAUTHORIZATION OF THE SURFACE TRANSPORTATION ASSISTANCE ACT AND THE FINANCIAL NEEDS OF THE MTA OVER THE NEXT FIVE YEARS.

A MONTH AGO, I APPEARED BEFORE YOU TO TALK ABOUT THE ADMINISTRATION'S PROPOSAL AND I DETAILED WHAT I THOUGHT WERE ITS SHORTCOMINGS.

I WON'T REHASH ALL THOSE POINTS TODAY. BUT I WILL SAY ONCE AGAIN THAT SUCH A REAUTHORIZATION PACKAGE, WHILE POSSESSING SOME SHORT-TERM GAINS FOR THE MTA, WOULD HAVE A DESTABILIZING LONG-TERM EFFECT ON TRANSIT FUNDING BY THE END OF ITS FIVE YEAR LIFE.

YOU KNOW WHAT WE DON'T WANT, SO LET ME TELL YOU WHAT WE DO WANT IN A FINAL REAUTHORIZATION BILL:

- FIRST, THE UNDERLYING PRINCIPLE OF THE BILL SHOULD BE TO MOVE PEOPLE AS EFFICIENTLY AS POSSIBLE.

- SECOND, THE UMTA PROGRAM SHOULD GROW FROM THIS YEAR'S $3.2 BILLION LEVEL TO $5.5 BILLION NEXT YEAR. BY THE

END OF THE REAUTHORIZATION PERIOD IT SHOULD BE $6.5 BILLION. MUCH OF THIS COULD BE ACCOMPLISHED BY CONTINUING GENERAL FUND SUPPORT AND DRAWING DOWN THE MASS TRANSIT ACCOUNT, ASSURING THAT TRANSIT GETS ALL OF THE GAS TAX REVENUES IT DESERVES;

- OPERATING ASSISTANCE FOR CITIES OVER 1 MILLION SHOULD BE MAINTAINED;

- THE PLAYING FIELD BETWEEN HIGHWAYS & TRANSIT SHOULD BE LEVEL, IN TERMS OF TAX TREATMENT AND MATCHING SHARES;

- "FLEXIBILE FUNDING" -- A GOOD CONCEPT -- SHOULD BE INCLUDED, BUT ONLY IF KICKS IN AFTER BASIC TRANSIT NEEDS ARE MET AND ONLY IF IT TREATS HIGHWAY AND TRANSIT DOLLARS EQUALLY;

- THE INTERSTATE TRANSFER PROGRAM SHOULD BE REAUTHORIZED FOR TWO YEARS AT $160 MILLION IN EACH OF THOSE YEARS;

- THERE SHOULD BE A CLEAR REAFFIRMATION OF A LONG-TERM FEDERAL COMMITMENT TO TRANSIT.

A BILL THAT INCLUDES THESE ELEMENTS WOULD IMPROVE THE NATION'S VITAL TRANSIT SYSTEMS BOTH "FISCALLY" AND "PHYSICALLY", ALLOWING US TO PLAY A GREATER ROLE IN MEETING OUR NATION'S MOBILITY NEEDS.

NOW TO "MTA-SPECIFIC" NEEDS. AS YOU MAY KNOW, THE FEDERAL GOVERNMENT PLAYED AN IMPORTANT ROLE IN THE FUNDING OF OUR FIRST TWO 5-YEAR CAPITAL REBUILDING PROGRAMS IN '82 & '87. BY THE END OF 1991, THESE PROGRAMS WILL TOTAL SOME $16 BILLION. OF THAT AMOUNT, MORE THAN ONE-FOURTH WAS FEDERAL DOLLARS.

WHAT DID YOU GET FOR YOUR INVESTMENT? SOME OF YOU MAY REMEMBER WHAT CONDITIONS WERE LIKE ON THE MTA'S SUBWAYS, BUSES, AND COMMUTER RAILROADS IN THE EARLY '80S.

FOR MANY YEARS, OUR TRANSIT SYSTEM -- WHICH CARRIES SOME 6 MILLION RIDERS A DAY, -- ABOUT ONE-THIRD OF ALL PUBLIC TRANSIT RIDERS IN THE COUNTRY -- HAD BEEN GROSSLY UNDERFUNDED.

BY THE LATE 70S, THE EFFECTS OF THAT DISINVESTMENT HAD BECOME PAINFULLY CLEAR. SUBWAY TRAINS WERE DERAILING, ON AVERAGE, ONCE EVERY 18 DAYS. "GO SLOW" ORDERS WERE IN EFFECT FOR 400 SECTIONS OF DETERIORATED TRACK. ON THE COMMUTER RAILROADS, TRAINS RARELY RAN ON TIME; COACHES WERE HOT IN SUMMER, COLD IN WINTER, AND CROWDED ALL OF THE TIME. GRAFFITI-COVERED SUBWAY AND BUS FLEETS BECAME SYMBOLIC OF OUR SYSTEM.

THE LONG-TERM REBUILDING PLAN WE LAID OUT IN 1981 -- THE LARGEST NON-FEDERAL PUBLIC WORKS RENEWAL PROJECT IN THE COUNTRY'S HISTORY -- WAS, FROM THE OUTSET, EXPECTED TO TAKE SEVERAL DECADES AND MANY BILLIONS TO COMPLETE. AFTER 9 YEARS, WE CAN SEE WHOLESALE CHANGES IN THE MTA.

MORE THAN 80 PERCENT OF OUR SUBWAY CARS, 90 PERCENT OF OUR BUSES AND NEARLY ALL OUR COMMUTER RAIL CARS ARE NEW OR OVERHAULED. TWO-THIRDS OF OUR 700 MILES OF SUBWAY TRACK HAS BEEN REPLACED. SUBWAY CARS NOW AVERAGE 30,000 MILES BETWEEN BREAKDOWNS -- 4 TIMES THE 1982 LEVEL. ALL ARE GRAFFITI-FREE.

BUT OUR JOB IS NOWHERE NEAR COMPLETE. IN OUR 1992-1996 CAPITAL PROGRAM, OUR "STATE OF GOOD REPAIR" NEEDS ALONE TOTAL SOME $6 BILLION. THIS INCLUDES EFFORTS TO ADDRESS SYSTEM RELIABILITY, SECURITY, CROWDING AND ACCESSIBILITY. AND WHILE MUCH OF THE WORK, REPLACING PUMPS, FANS, LIGHTING AND WIRING WILL BE INVISIBLE, THERE WILL BE SOME HIGH-PROFILE PROJECTS.

THE LARGEST IS OUR "QUEENS CONNECTOR", WHICH WILL LINK THE 63RD ST. SUBWAY TUNNEL WITH QUEENS BOULEVARD LINES. IT'S ESTIMATED COST: OVER $600 MILLION. BUT IT WILL BENEFIT HUNDREDS OF THOUSANDS OF CRAMMED QUEENS COMMUTERS BY CREATING ANOTHER ROUTE TO MANHATTAN.

AND AS PART OF NORMAL REPLACEMENT CYCLE, WE WILL SPEND $444 MILLION ON THE PURCHASE OF 1,700 BUSES, THEREBY MAKING OUR ENTIRE FLEET DISABLED-ACCESSIBLE. OUR SIGNAL MODERNIZATION PROGRAM DURING THE 1992-1996 PROGRAM WILL SUBSTANTIALLY IMPROVE SAFETY AT A COST OF $766 MILLION. WE ALSO PLAN TO SPEND $160 MILLION TO UPGRADE OUR TRANSIT POLICE COMMUNICATION SYSTEM, WHICH WILL ENHANCE PASSEN4GER SECURITY. AND THERE'S PLENTY MORE.

BUT WHILE OUR NEEDS ARE GREAT, WE DO NOT APPEAR BEFORE YOU WITH A TIN CUP, HOPING YOU'LL SOLVE ALL OUR CAPITAL FUNDING PROBLEMS. WE WILL CONTINUE TO DO OUR SHARE, -- BUT IT'S NO SECRET WE'RE HERE TODAY BECAUSE A SUBSTANTIAL FEDERAL ROLE WILL BE AS CRUCIAL IN THE NEXT 5 YEARS AS IT'S BEEN OVER THE LAST 9.

OF THE TOTAL $11.5 BILLION NEEDED FOR THE NEXT PHASE OF THE MTA'S CAPITAL PROGRAM, WE'VE IDENTIFIED SOURCES FOR JUST OVER HALF OF THOSE FUNDS. THE SOURCES FALL INTO 3 CATEGORIES:

CONTINUING RESOURCES CONSISTS OF EXISTING LEVELS OF SUPPORT FROM FEDERAL, STATE, AND LOCAL GOVERNMENTS. THESE SHOULD PRODUCE $4.1 BILLION. THAT'S SUBSTANTIAL, BUT OBVIOUSLY NOT ENOUGH. -- SO WHAT WILL WE DO?

WELL, WE ALREADY HAVE AN EXCELLENT RECORD WHEN IT COMES TO PROVIDING LOCAL SUPPORT FOR OUR CAPITAL PROGRAMS. WE'VE RELIED HEAVILY ON BONDS BACKED BY FARES AND TOLLS. FOR THE NEXT FIVE YEAR CAPITAL PROGRAM, WE PROJECT THAT BONDS AND RELATED RESOURCES WILL PROVIDE ABOUT $1 BILLION.

FINALLY, WE CAN REASONABLY COUNT ON $800 MILLION OF ONE-TIME RESOURCES FROM A LONG-STANDING MUNICIPAL ASSISTANCE CORPORATION AGREEMENT AND FROM THE WESTWAY TRADE-IN AGREEMENT.

ADDING THIS ALL UP, WE COME UP WITH $6 BILLION OF THE $11.5 BILLION NEEDED -- LEAVING US WITH A GAP OF $5.5 BILLION.

SOME OF THIS WE HOPE TO FIND IN STATE AND LOCAL COFFERS. BUT PART WE HOPE WILL COME FROM A MORE FORWARD-LOOKING FEDERAL PROGRAM. THIS IS WHY THE STRUCTURE AND FUNDING LEVELS OF THIS REAUTHORIZATION BILL ARE SO IMPORTANT FOR US.

WHY SHOULD WASHINGTON BE CONCERNED ABOUT THE MTA AND ITS CAPITAL PROGRAM -- OR FOR THAT MATTER, ANY TRANSIT SYSTEM'S CAPITAL PLAN? -- LET ME TELL YOU.

FIRST, THE INVESTMENTS WE'VE MADE IN THE LAST NINE YEARS WITH FEDERAL DOLLARS HAVE BEEN MADE WISELY AND HAVE DELIVERED TANGIBLE BENEFITS TO THE 17 MILLION PERSON NY/NJ/CT REGION.

SECOND, CONTINUED INVESTMENT BY THE MTA HELPS ADDRESS SOME OF THE CRITICAL CONGESTION AND POLLUTION PROBLEMS OF OUR REGION AND OUR NATION. ASIDE FROM SOME OF THE WORST HIGHWAY CONGESTION PROBLEMS IN THE COUNTRY, WHICH ROB US OF OVER 350,000 PRODUCTIVE WORKING HOURS A DAY, THE NY-NORTHERN NJ CORRIDOR ALSO HAS SOME OF THE WORST AIR POLLUTION. WE'VE NEVER BEEN IN COMPLIANCE WITH THE CLEAN AIR ACT. AND LIKE MANY OTHER PARTS OF OUR COUNTRY, WE ARE ALSO A REGION WITH AN EXTENSIVE DEPENDENCE ON IMPORTED OIL. TRANSIT CAN LESSEN THE IMPACT OF THESE PROBLEMS, BUT WE NEED CONTINUED FEDERAL SUPPORT.

THIRD, TRANSIT CAPITAL SPENDING IS A STRONG ECONOMIC STIMULUS TO THE REGION AND THE NATION. THE $16 BILLION THE MTA ALONE HAS SPENT SINCE 1982 HAS GENERATED SOME 14,800 JOBS

ANNUALLY IN NEW YORK STATE AND HAS STIMULATED BILLIONS OF DOLLARS IN ECONOMIC ACTIVITY AROUND THE COUNTRY.

FOR EXAMPLE, WE'VE SPENT OVER $245 MILLION WITH FIRMS IN CALIFORNIA, $243 MILLION IN CONNECTICUT, $599 MILLION IN NEW JERSEY, $143 MILLION IN ILLINOIS AND MANY MILLIONS MORE IN PENNSYLVANIA, TEXAS, OHIO, MICHIGAN, ALABAMA, SOUTH CAROLINA, DELAWARE, VIRGINIA, NEW MEXICO AND EVEN HERE IN WASHINGTON DC. AND THAT'S JUST COUNTING CONTRACTS OVER $5 MILLION.

FINALLY, AN EFFICIENT PUBLIC TRANSPORTATION NETWORK MAKES US ALL MORE COMPETITIVE IN THE WORLD MARKETPLACE. TOKYO IS ADDING 300 MILES OF NEW RAIL SERVICE. LONDON IS BUILDING TWO NEW RAIL LINES AND COMPLETING THE "CHUNNEL" TO FRANCE. TRANSIT SYSTEMS ARE BEING ADDED OR IMPROVED ALL OVER EUROPE. WE IN AMERICA MUST BUSY OURSELVES TO IMPROVE OUR TRANSIT NETWORKS IN ORDER TO REMAIN COMPETITIVE.

MR. CHAIRMAN, WITHOUT STRONG, VIABLE NATIONAL TRANSIT SYSTEMS, MUCH OF OUR COUNTRY WOULD BE PARALYZED. I URGE YOU TO CRAFT A BILL THAT WILL NOT ONLY HELP ADDRESS THE MTA'S NEEDS, BUT ONE THAT WILL RECOGNIZE TRANSIT'S VITAL CONTRIBUTION TO ATTAINING NATIONAL ENERGY, ECONOMIC, ENVIRONMENTAL GOALS, AND MOST OF ALL -- THE GOAL THAT THE REAUTHORIZATION BILL SHOULD BE DEDICATED TO, -- THAT OF MOVING PEOPLE!

WE NEED YOUR HELP.

MTC
METROPOLITAN
TRANSPORTATION
COMMISSION

Alameda County
Edward R. Campbell
David S. Karp

Contra Costa County
Robert I. Schroder
Steve Weir
Chair

Marin County
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Bay Area Governments
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Deputy Executive Director
William F. Hein

TESTIMONY OF

STEVE WEIR

CHAIRMAN, METROPOLITAN TRANSPORTATION COMMISSION

SAN FRANCISCO BAY AREA

BEFORE THE

SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

WASHINGTON, D.C.

APRIL 24, 1991

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, THANK YOU FOR THE OPPORTUNITY TO JOIN YOU TODAY TO DISCUSS THE REAUTHORIZATION OF THE NATION'S TRANSIT PROGRAM. MY NAME IS STEVE WEIR, AND I AM CHAIRMAN OF THE METROPOLITAN TRANSPORTATION COMMISSION, THE SAN FRANCISCO BAY AREA'S TRANSPORTATION PLANNING AND FINANCING ORGANIZATION.

I AM JOINING YOU TODAY TO DISCUSS THE REAUTHORIZATION OF THE NATION'S PROGRAMS FOR INVESTING IN RAIL TRANSIT -- THE SECTION 3 NEW RAIL STARTS AND RAIL MODERNIZATION PROGRAM. THESE PROGRAMS ARE OF VITAL INTEREST TO ALL OF US IN THE BAY AREA, WHICH IS NOW THE NATION'S FOURTH LARGEST METROPOLITAN AREA.

THE MTC REGION IS SERVED BY A MULTI-MODAL TRANSPORTATION FLEET RANGING FROM BUSES TO FERRIES, FROM CABLE CARS TO COMMUTER RAIL AND FROM TROLLEY BUS, LIGHT RAIL AND HEAVY RAIL SYSTEMS.

THE REGION HAS OVER 186 MILES OF RAIL SERVICE, PROVIDING OVER 410,000 PASSENGER TRIPS EACH WEEKDAY. THE RAIL SERVICE IS SUPPORTED

LARGELY WITH LOCAL FUNDS, AS EACH OF OUR FIVE URBAN COUNTIES HAVE ADOPTED 1% SALES TAX INCREASES TO SUPPORT TRANSPORTATION PROJECTS.

OVER THE NEXT SEVEN YEARS, THE COST TO REHABILITATE AND MODERNIZE THE REGION'S RAIL NETWORK IS ESTIMATED TO EXCEED $1.6 BILLION. PROJECTS INCLUDED IN THIS COST ARE IMPROVEMENTS AND REHABILITATION OF SAN FRANCISCO MUNI'S LIGHT RAIL SYSTEM, NEW TRACKAGE AND MAINTENANCE FACILITIES FOR THE 100+ YEAR OLD CALTRAIN COMMUTER RAIL SYSTEM, AND REHABILITATION OF BART'S CAR FLEET. ALSO INCLUDED IN THIS COST IS A PROJECT TO RELOCATE THE CALTRAIN SAN FRANCISCO TERMINAL TO A LOCATION IN DOWNTOWN SAN FRANCISCO. FEDERAL FUNDING IS PROGRAMMED TO FUND 47% OF THE REGION'S RAIL MODERNIZATION COST OR $776 MILLION. STATE AND LOCAL FUND SOURCES ARE PROGRAMMED TO FUND THE REMAINDER.

OUR REGION'S NEW RAIL STARTS PROGRAM IS A SIMILARLY CHALLENGING PROGRAM THAT INVOLVES THE SIMULTANEOUS EXTENSION OF BART IN FOUR DIRECTIONS AND THE EXTENSION OF SANTA CLARA COUNTY'S LRT SYSTEM.

UPON COMPLETION, THESE RAIL EXTENSIONS WILL ADD 45 MILES TO THE BAY AREA'S RAIL SYSTEM. THE $2.9 BILLION PROGRAM IS BUILT AROUND A UNIQUE FINANCING AGREEMENT THAT RELIES HEAVILY ON LOCAL (61.5%) AND STATE (8.5%) FUNDING SOURCES. SOME PROJECTS RELY MORE HEAVILY ON FEDERAL FUNDING SUCH AS THE BART EXTENSION TO SAN FRANCISCO AIRPORT; HOWEVER, OVERALL FEDERAL FUNDING IS BEING SOUGHT FOR ONLY 29% OR $841 MILLION OF THE PROGRAM'S COST. STATE AND LOCAL FUNDING WILL FINANCE THE REMAINING $2 BILLION COST. THE REGION IS SEEKING APPROXIMATELY $100 MILLION PER YEAR FROM THE SECTION 3 NEW STARTS OVER THE TERM OF THE REAUTHORIZATION TO FUND THE EXTENSION OF BART TO SAN FRANCISCO AIRPORT AND TO FUND THE TASMAN LIGHT RAIL EXTENSION IN SANTA CLARA COUNTY.

YOU CAN THUS SEE THAT CONTINUATION AND INCREASED FUNDING FOR SECTION 3 PROGRAMS IS OF PRIME INTEREST TO THE BAY AREA. MTC SUPPORTS THE APTA REAUTHORIZATION PROPOSAL WHICH CALLS FOR THE CONTINUATION OF RAIL MODERNIZATION AND NEW STARTS FUNDING WITHIN THE SECTION 3 CATEGORY AND FOR EQUAL FUNDING LEVELS FOR THE TWO PROGRAMS OF $600 MILLION PER YEAR. WE ARE OPPOSED TO THE ADMINISTRATION'S

PROPOSAL TO INCLUDE THE RAIL MODERNIZATION PROGRAM WITHIN THE SECTION 9 RAIL TIER AND VEHEMENTLY OPPOSE THEIR PROPOSAL TO REDUCE NEW STARTS FUNDING IN SECTION 3.

MORE SPECIFICALLY, WE BELIEVE THAT NEW RAIL STARTS SHOULD CONTINUE TO BE AN IMPORTANT PART OF THE FEDERAL PROGRAM TO ASSIST METROPOLITAN AREAS WITH LARGE PROJECTS WHICH ARE BEYOND THE ABILITY OF STATE AND LOCAL GOVERNMENT TO FINANCE. A MINIMUM $600 MILLION AUTHORIZATION LEVEL FOR THIS PROGRAM WOULD HELP TO MEET MANY OF THESE CRITICAL MOBILITY NEEDS. IN ADDITION, THE REAUTHORIZATION SHOULD PROVIDE THE AUTHORITY FOR UMTA TO MAKE LONG TERM FEDERAL FUND COMMITMENTS WHICH EXTEND BEYOND THE TERM OF A REAUTHORIZATION, USING THE TRUST FUND BALANCE AS SECURITY. MTC SUPPORTS THE CONCEPTS OUTLINED IN THE SENATE BANKING COMMITTEE'S DISCUSSION DRAFT ON THIS TOPIC.

FINALLY, WE BELIEVE THAT THE ALTERNATIVES ANALYSIS PROCESS SHOULD BE MODIFIED TO FOCUS ON A BROADER RANGE OF ALTERNATIVES.

INCLUDING HIGHWAY INVESTMENTS. THE ALTERNATIVES ANALYSIS PROCESS SHOULD PROVIDE FOR INDICES AND CRITERIA WHICH RECOGNIZE LOCAL COMMITMENT TO A PROGRAM OF PROJECTS AND WHICH TAKE INTO ACCOUNT VARYING CONSTRUCTION COSTS IN DIFFERENT PARTS OF THE COUNTRY.

WITH RESPECT TO THE RAIL MODERNIZATION PROGRAM, WE BELIEVE THAT THIS PROGRAM MUST REMAIN A PART OF SECTION 3 UNTIL ITS INITIAL PURPOSE HAS BEEN FULFILLED -- TO MODERNIZE AND UPGRADE DETERIORATING OLDER RAIL SYSTEMS. MUCH PROGRESS HAS BEEN MADE BUT WE HAVE NOT COMPLETED THIS TASK. FOR THIS REASON, MTC SUPPORTS THE APTA CONSENSUS POSITION TO DEDICATE RAIL MODERNIZATION FUNDS TO THE EIGHT HISTORIC RECIPIENTS INCLUDING THE SAN FRANCISCO-OAKLAND URBANIZED AREA AT CURRENT FUNDING LEVELS. AS THE PROGRAM INCREASES BEYOND THE $455 MILLION LEVEL, NEWER SYSTEMS CAN SHARE IN THE INCREASED RESOURCES.

LAST YEAR, THE CONGRESS PASSED A LANDMARK CLEAN AIR ACT WHICH SET AN ENVIRONMENTAL CHALLENGE FOR THOSE OF US IN THE TRANSPORTATION

INDUSTRY. WE ARE IN THE PROCESS OF RESPONDING TO THAT CHALLENGE IN THE BAY AREA. WE HAVE MADE UNPRECEDENTED INVESTMENTS OF STATE AND LOCAL RESOURCES TO BEGIN TO BUILD THE TRANSIT ALTERNATIVE TO THE PRIVATE AUTOMOBILE. BUT WE CANNOT UNDERTAKE THIS TASK ALONE. THE FEDERAL GOVERNMENT IS A CRITICAL PARTNER IN MEETING THE CLEAN AIR AND MOBILITY CHALLENGES BEFORE US, AND THE REAUTHORIZATION OF THE TRANSIT PROGRAM OFFERS CONGRESS AN OPPORTUNITY TO DEFINE A STRONG AND PROACTIVE PARTNERSHIP. WE URGE YOU TO ACT THIS YEAR TO ESTABLISH A METROPOLITAN FUNDING PROGRAM WITH A LEVEL PLAYING FIELD FOR TRANSIT, WHICH WILL ALLOW FLEXIBILITY BETWEEN HIGHWAY AND TRANSIT PROGRAMS, AND INCREASE FUNDING FOR VITAL TRANSIT CAPITAL PROGRAMS.

AGAIN, THANK YOU FOR INVITING ME TO SHARE MY THOUGHTS WITH YOU. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

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Senator CRANSTON. The administration's proposal includes a section 3 new starts program of $300 million in fiscal 1992. After existing full funding commitments are honored, only $88 million would be available for additional discretionary new start spending.

UMTA documents show that eight projects, worth more than $5 billion, have already successfully completed UMTA's alternative analysis and preliminary engineering process.

These eight projects will soon be seeking full funding commitments. They will require $2.5 billion in Federal section 3 funding so that construction can begin.

Beyond that, 17 projects are now moving through UMTA's alternative analysis pipeline. Fifty-nine more are in preliminary stages of system planning. So, we have a serious logjam in the works.

Obviously, the problem could be resolved with a big increase in funding, but that is not likely in the conceivable future. Because of our budget difficulties, we're not going to get any big increase in new funding. But if we are able to get some flexibility and better access to the Highway Trust Fund then I believe that will help.

We've got to find a way, meanwhile, to get more projects implemented more efficiently with the funds that are available.

So, I ask you:

What are the current most serious problems you have encountered with the present UMTA proceedings for rationing scarce dollars among competing new starts and rail retention projects?

Specifically, what's been the impact of the cost-effectiveness criteria and the alternative analyses?

Who would like to start? Mr. Weir.

Mr. WEIR. Mr. Chairman, thank you.

We find in the bay area that we have a problem. We happen to restrict ourselves to one alternative analysis. Since it's such a diverse area with many corridors, after you go through just one, it's extraordinarily difficult on this. And we're coming to the table with a 71-percent State match.

Second, UMTA does ask us to spend an enormous amount of time going through this process, which does cause delay. And the delays create logjams of projects that need to come to the table and which actually make economic sense.

So, a faster process would give us more flexibility and more access to potential Federal dollars. That would go a long way to help us.

Senator CRANSTON. Any other comments on that point?

Ms. MARRIN. Senator.

Mr. LEARY. OK. Thank you, Mr. Chairman. Just a thought.

The question gets to the most serious flaw in the administration proposal, and that is the enormous bias and the imbalance between the various modes.

We learned recently, and I believe it's accurate, that 10 years ago, for every dollar we spent in transit, we spent $2 on highways.

Today, for every dollar we spend on transit, we spend $5 on highways.

And if the existing allocation of funds in total continues as proposed in the administration bill, that ratio goes to 12/1. I think we would lose the opportunity if we accept that to level the playing field.

I think it's most important to level the playing field, particularly in our urban areas. It would allow us flexibility to make the right modal choice on the best transportation for the region. Not where the dollars are and the ease with which we get the dollars.

Senator CRANSTON. Ms. Marrin, did you have a comment?

Ms. MARRIN. Yes. We, in Chicago, are completing our alternatives analysis, and we would certainly like to speak to the flexibility of the UMTA criteria.

We would like the committee to take into consideration that UMTA criteria at this point are insensitive to local goals and objectives. And they ought to take into consideration issues that are more important to each locale; since each locale is unique in its transit needs, we would like the committee to address that issue.

Senator CRANSTON. Thank you very much.

We've been joined by Senator D'Amato, the ranking Republican member of the committee.

Al, do you have any opening remarks?

Senator D'AMATO. Mr. Chairman, I'll hold them for a moment and make some observations at a later time.

Certainly, I commend you for calling these hearings. I think we're all aware of many of the shortcomings in the administration's proposal as they stand now. And I look forward to working with you to address those shortcomings.

Senator CRANSTON. Thank you, Al.

Senator D'AMATO. Let me, if I might, Mr. Chairman, say that I am particularly pleased to see Mr. Stangl here, who has taken over our MTA as the chairman of it, who comes in during a very challenging period of time.

I predict, notwithstanding that we do not have great resources and unlimited resources, that he has demonstrated the capacity and the inclination to really work with all segments of the transit community, those segments being the working men and women who are operating them to the various municipalities.

And I think we're very fortunate to have Pete in this position. And I look forward to his leadership and his sensitivity to the totality of the community that makes up this important component of mass transit in our region.

And it is critical—that transit operation is critical—to New York. To its health, to its economy and to its life.

Make no mistake about it, there are various aspects. We can talk about them later. I would like to focus in on some of them in the limited time that I have.

And, again, I want to commend the chairman for his leadership in this area and say to those of you who are here:

You must know that Senator Cranston has been a great proponent and a champion of seeing to it that there is a balanced approach to transit needs.

And, together, I hope we will be able to put together a package that will make those of you of the panelists who are here, who have got the various responsibilities of your communities of meeting those needs, make them easier and not more difficult.

Thank you, Mr. Chairman.

OPENING STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. Mr. Chairman, I welcome the participants to this public hearing on issues related to the reauthorization of Federal mass transit programs. Today, part of our focus will be on capital and operational needs of transit systems nationwide.

Joining us from my home State of New York is Peter Stangl, the new chairman of the Metropolitan Transportation Authority of New York. Peter has assumed responsibility for the largest transit system in the Nation and will tell you first hand the importance of our Federal commitment to "moving" people. The New York metropolitan area handles one-third of all transit riders in the country—that's 6 million riders a day. Peter, I welcome you here today and look forward to your comments on our reauthorization legislation.

Our commitment to both capital and operating assistance is essential to mass transit nationwide. Again, the administration proposes eliminating operating aid for transit systems in areas with populations over 1 million. The New York MTA would lose $93 million and Buffalo would lose $6 million. These cuts increase pressure on transit systems to reduce service and raise fares. Such actions would drive more riders away. This is counterproductive at a time when we are trying to encourage increased use of mass transit.

The capital needs are also without a doubt tremendous. The American Public Transit Association [APTA] did a survey in 1990 of capital needs and found that $75 billion in total capital funding is needed just to keep pace with public transportation needs over the next 5 years.

I will continue my strong support of Federal assistance for both operating and capital programs.

Again, I welcome today's representatives from both management and labor and look forward to their comments and suggestions as we move forward on the reauthorization of mass transit programs.

Mr. Chairman, thank you.

Senator CRANSTON. Thank you, Al, very, very much.

And thank you for your great cooperation in this effort. Together, with others, we're going to get a lot done.

On the matter of selection again, if a metropolitan area has more flexibility to finance transit funding from the highway account and other transit programs, the section 3 New Starts Program would no longer be the sole source of Federal assistance. It could provide supplemental or gap-closing assistance.

Some of the analyses now done only within UMTA would be done within the metropolitan area.

So I want to ask this on that point.

Which of the current project selection hurdles do you think would be the most appropriate to reduce or eliminate?

What changes would do most to accelerate project implementation and provide for more efficient project management by transit operation?

Who wants to start answering that one?

Ms. MARRIN. Mr. Chairman, I'd like to address the issue, alternatives analysis, again, since we've just completed it. I think the

UMTA criteria demands that you complete alternatives analysis and then go into preliminary engineering.

We believe that that is excessive and time-consuming in cost and, in many cases, when you develop the community you're working with, it becomes an even greater cost.

We believe that alternative analysis can be done during preliminary engineering, as it's done in MHWA.

We believe both of those systems could be combined and save time and save money.

Mr. **Stangl.** Senator——

Senator **Cranston.** Can I ask you to be as specific as possible?

Mr. **Stangl.** I'm having a hard time being specific because I'm trying to move up the learning curve. But, I have been constantly hearing on the selection process about the imbalance in terms of what UMTA makes us go through as opposed to what the Highway Administration makes the highway projects go through.

I will be very specific. When I go back home, I'm going to take a look at this and send you some notes on it that will be very specific.

But, there just does seem to be this imbalance between what we have to go through for public transportation projects and what happens on the highway side. It's one more thing that I think tilts the scales.

Senator **Cranston.** The administration wants to codify the current project selection procedures and proposes several new criteria for consideration of project selection, including increases in ridership and local efforts to finance the project through assessments on nearby property that will directly benefit from the transit system and other so-called innovative techniques.

At first glance, these seem like reasonable proposals.

Do you see any problems with the administration's suggestions on this? How do they work in practice?

What are the benefits? What are the drawbacks?

Ms. **Marrin.** Again, Mr. Chairman, I'd like to say, in our particular case, we're working with a heavily overmatched project. However, I think we must consider the disadvantaged areas of this country where public transit is very important to people, and they may not be able to raise overmatch requirements.

I think that should be a concern to everyone to provide mass transit universally across the boards. We would be concerned about disadvantaged areas, even though, in Chicago, we're doing a giant overmatch project.

Senator **Cranston.** What additional selection criteria would recognize the benefits of transit more appropriately when transit projects are being compared with alternatives?

Some have suggested that UMTA should consider the cost of offsetting increased air pollution of additional parking facilities and a number of indirect costs related to roadway projects.

What do you think would be the most important provisions?

Mr. **Weir.** We should address economic benefit of the transit projects similarly as you address an economic benefit of a highway project.

I know that we're harping back on this, but the level playing field is all that we're asking for—in terms of criteria, in terms of matches, I think that's the issue that we face, certainly, in the bay area.

A previous question dealing with benefit assessment districts, the locals should be put in the position to try to leverage those funds. But, again, if you go to a developer and say "You've got your choice between putting in a buck and getting a $1.50 for a transit project, or putting in a buck and getting $4 for the interchange, the decision is already made for us."

It's stacked against us. If the field is made level, we will scour every economic opportunity to bring local moneys to the table.

In the bay area, we spend $1.1 billion a year on transit; $950 million of that comes from the local, not the State. Not the Federal. From the local.

So, at least in our area—and I'm going to guess that's true everywhere—wherever we find an opportunity to enhance revenues, we're out there doing it. But, we can't be disadvantaged by mode choice. We've got to have the option ourselves to see which is most effective.

Mr. **Leary**. Mr. Chairman, just to build on that thought, if I might, and build on Mr. Stangl's as well, I think, as we answer these questions, we're answering these questions about the administration's criteria.

We're trying to, at least as I think of the answers to these questions, we're trying to answer these questions given that we've got the administration's criteria. Given the imbalance exists and that this kind of criterion is placed on transit properties to limit their ability to generate projects, I really think it's important that we get away from that.

I don't know whether highways go through alternative analysis. They don't go through these lengthy multiyear criteria, all of which seems to be designed to hold back the advancement of transit projects.

I have to say that, when I received the Senate staff paper on metropolitan transportation issues, I was really encouraged because that took a fresh approach about bringing the transportation project selection to a clear playing field as these gentlemen here have talked about, and not utilizing criteria that almost seemed to be proposed to prevent the transit projects from advancing.

And I think just one other thought related to that, I think, as we get into our urban areas, transit takes on a different comparison to the highways. At least where I come from, we have no problem and completely support having the finest highway system in the State of Missouri. But, we think there's a strong role for transit in our urban areas, the St. Louis and Kansas City areas particularly.

As I say, it was refreshing to get that Senate paper because that provides a direction we should build upon.

Senator **Cranston**. We're particularly concerned about rail modernization efforts. The administration wants to distribute rail modernization funds by formula, using the rail factors in the section 9 formula. All transit systems with rails would receive funds under this distribution, not just the so-called old rail systems that are currently served by the program.

Transit operators have had mixed reactions to this proposal. Some believe the Rail Modernization Program should first complete its original mission, upgrading the older rail systems—not built with public or Federal assistance—before it is expanded to meet other rail needs.

After the proposal for the three-tier funding distribution that recognizes the special role and larger capital needs of the old rail systems, but also recognizes the modernization needs of the broader number of systems, the question is:

What principles should guide us as we evaluate these proposals?

How can we fairly differentiate among the modernization needs of old and new rail systems?

And what do you believe are the major strengths and drawbacks in the proposal made by the administration and by others?

Mr. Weir. It looks like a big question. Let me try to take it on from the bay area standpoint.

We're saddled with a great diversity in the bay area. We have farmlands. We have very dense areas of San Francisco. We have urban and suburban issues.

The urban areas in San Francisco have old and are old properties. We ought to maintain the current aid as a commitment to dealing with those old properties. We don't want to pit those against the new capital needs in the suburban areas, where the lion's share of the growth is taking place.

So we support in the bay area the APTA approach to the multitier process. I think it's the only way it can work.

If we have any kind of competition in the urban areas between urban and suburban, it would put us at a great disadvantage in trying to hold together a cohesive coalition supporting all kinds of transit.

Mr. Stangl. I would say also that the predictability of the formula is something that we certainly think is desirable. Under some of the formulas that have been proposed, New York does pretty well. We do it at the expense of other properties.

So, that becomes an issue. And it is an issue that can be helped a little bit by providing more money, which is something that, as tired as we all are of hearing it, it needs to be said.

But, the formula, I think, the formula concept and that ability to plan and implement our projects is something I think that is very helpful.

Senator Cranston. Some of the smaller rail systems have been contending that a small discretionary program should be retained to take account of the large costs associated with major modernization projects.

What are your feelings about the need for continuing some form of discretionary grant program for rail modernization?

Mr. Stangl. I certainly think a small amount of discretionary money over the next several years is fine.

But, I do very much like the idea of moving toward a formula.

I would also add that New York always gets capped under these formulas. And, needless to say, I would certainly like the cap removed so that we can get our fair share.

Senator Cranston. The administration's transit proposal would codify the current practice of providing full funding grant agreements to implement new transit projects.

These agreements establish a maximum amount of Federal participation in the project funding. And under current practice, UMTA can't enter into the agreements unless the full amount of the Federal assistance is available.

That creates strong pressures on localities to get advanced earmarking of funds so that they will be available when the locality is ready to begin.

Second, section 4 of the subcommittee's staff discussion draft outlines reforms to the full funding grant agreements employed by UMTA.

Speaking from your own experience and your knowledge of other transit systems, what are the most serious difficulties with current Federal procedures for implementing major capital investment projects?

Yes, Mr. Magaldi.

Mr. **Magaldi**. One of our problems in Honolulu, we're doing a turnkey operation right now. And, under current regulations, we cannot go to the full funding agreement.

So, what happens is the city would have to bear the brunt of the total cost. So, the full funding agreement would not actually be executed, and funding for the project actually would not be fully committed until after the contractor is selected.

That makes it very difficult for us to even get the program going. If we can outdo that.

Mr. **Leary**. Mr. Chairman, in St. Louis, we're one of three properties in the country that has a full funding agreement for the transportation projects. And we entered into that full funding agreement at the preliminary engineering stage.

We'll get into the details and would certainly encourage everyone considering full funding agreements to enter into them at a later stage in the process than after the final engineering has been put together. It gives you so much more information and reliability if the full funding agreement is enhanced.

We have under construction at the present time an 18-mile light rail system in St. Louis, running from the State of Missouri through the city of St. Louis to Illinois.

I'm pleased to report that that project is on time and on budget. But, again, I think the subcommittee staff discussion draft made some recommendations about building in better flexibility in full funding agreements. And that would support the early system work agreement concept.

And proposals with regard to debt mechanisms and creating more flexibility in allowing the projects to be accomplished faster with fewer approvals, and avoiding potential procedural delays that slow projects down and increase costs.

Senator **Cranston**. Any other comments on the full funding and grant agreement proposal of the administration, and the additional reforms contained in the subcommittee's staff discussion draft?

Yes?

Mr. **Magaldi**. The main thing that's important to the contractor, because the contractor takes the full risk of this, we mentioned that the early systems work agreement described in the paper, this, to me, would lighten the load and this might be able to help.

Senator **Cranston**. I want to welcome Senator Bond of Missouri.

Do you have any comments or questions?

Senator **Bond**. Thank you very much, Mr. Chairman.

I must apologize for not getting here for Mr. Leary's opening statement and having an opportunity to participate in the entire proceedings today.

We are obviously very much interested in this program. But, the chairman of this committee, Senator Riegle, and I had an amendment on the floor that had to do with housing.

Senator **Cranston**. A very good amendment.

Senator **Bond**. Which is also extremely important to St. Louis, Kansas City and other parts of our State.

I do apologize.

Mr. Chairman, I have a brief opening statement in which I was going to reiterate what Mr. Leary has already told the committee about metro link and the light rail system.

We are looking at the possibility of light rail. The interest in Kansas City is very great as well. In St. Louis, the bistate has done its fair share, providing the match by securing property for the system right away.

I believe very strongly, Mr. Chairman, that we must reauthorize the mass transit program.

I have some very strong concerns about several of the changes proposed by the administration. For example, the administration proposal to eliminate operating assistance for transit systems in areas over 1 million in population, these transit systems have endured significant funding reductions over the past several years. And they've coped by making cutbacks in staff and routes and by increasing fares.

There's not a whole lot left to cut. I know that Federal subsidies only comprise 12 percent of the bistate budget, for example. But, that 12 percent makes the difference between survival and not surviving.

I'm also concerned about the proposed changes in the Federal/State matching ratio for new starts. A 50-50 level is, in my view, so unrealistically high for States that it would virtually ensure that no new systems would be built.

I believe that level would be devastating.

I know the subcommittee will take under consideration all the comments that have been made today.

And, Mr. Chairman, with your permission, I might just ask Mr. Leary to detail, if he has not, how he has coped with past reductions in operating assistance for the mass transit systems, and what would be the effect on the system of the administration's proposal to eliminate all operating assistance.

If you have not already addressed that, I would like to hear your comments?

Mr. **Leary**. Thank you, Senator.

You're absolutely correct. The loss of operating assistance to the bistate agency would have just a devastating impact on our day-today operations.

Without Federal assistance, the agency next year would be looking at an $18 million shortfall, causing massive service cutbacks and steep increases in fares.

And the impact will have an effect on the citizens, who can least afford it—the students, the elderly, the poor, and the transit-dependent.

We've already cut substantially into the system as a result of the cutbacks of the 1980's, and our system has been cut back by almost 50 percent.

Fares have increased three times and are about to increase again.

So, Senator, I think you're absolutely correct. Transit is such an integral part of our urban environment that we must find a way to stabilize the fiscal situation and prevent further down-sizing of transit systems and begin to build them into our urban environments.

Senator **Bond**. How would you cope if the funds were cut off for operating subsidies?

Mr. **Leary**. We currently operate 120 bus routes and I believe that, if they were cut off, we would have to cut the system back by another 30 to 40 percent. Cut system operations way back, lay off hundreds and hundreds of people and raise fares by almost 50 percent again.

Senator **Bond**. A 12-percent cut?

Mr. **Leary**. The 12 percent represents about $10 million to the bistate system. That is already facing a shortfall because of issues of the recession and cutbacks and the slowdown in the economy.

We live on sales tax receipts. We have a dedicated one-half cent sales tax for mass transit, and receipts are way down because of the slowdown in the economy.

So, with the combination of Federal cutbacks and our own local situation, it's very serious. And approaching a devastating level.

Senator **Bond**. What percent of your revenue comes from the fare box?

Mr. **Leary**. About 26 percent comes directly from the fare box.

Senator **Bond**. So, in essence, the Federal operating subsidy is equal to literally half of what you're getting at the fare box?

Mr. **Leary**. Yes, sir, that's correct.

Senator **Bond**. And the 50-percent increase in fares, assuming that there is an elastic demand curve for mass transit services, would result, would it not, in a 50-percent increase in fares? Is that a fair assessment?

Mr. **Leary**. That is correct, sir.

Senator **Bond**. Because there would be a significant decline in the ridership?

Mr. **Leary**. In our system, 10 cents represents a 2 to 3 million riders per year loss. For every 10 cents you increase the fare.

Senator **Bond**. I might ask if any of the other panelists want to enlighten me further on the general question I asked.

Mr. **Magaldi**. Senator, on funds for Honolulu's rapid transit project, we are going forward with a 70-percent overmatch. We based that 70-percent overmatch for capital costs on the continued receipt of Federal operating assistance. So, we would have to re-evaluate and try and find another source of funds to make up the difference.

Our project right now is in the preliminary engineering stage. But, if we would lose the operating assistance, we would have to find somewhere else to get the funds to fill this void.

Senator **Bond**. I don't speak that language so good. I think I understand what you mean. But, the PE's at the RFP stage.

Mr. **Magaldi**. Sorry, Senator. We are currently in the preliminary engineering phase and our request for proposal is on the street with bids due in on May 15, 1991.

Senator **Bond**. Thank you, Mr. Chairman. That's the line of questioning I wanted to pursue.

Senator **Cranston**. Thank you very much.

Back to the full funding business.

Are there additional ways to improve the full funding grant agreement process that are not included in the discussion proposal?

Specifically, what would be the most effective things we can do to reform current law to provide for more effective management of major capital projects and more efficient expansion of transit services?

Any suggestions?

Mr. **Weir**. Again, generally speaking, we've looked at the draft that's come forward from the staff on pages 13 and 14. From the bay area standpoint, this is a very progressive approach to take, covering extra expense, including the debt. Dealing with the long-term debt issue, we find it to be innovative.

Senator **Cranston**. Any other comments?

Mr. **Magaldi**. We see the problem on a turnkey project because with a turnkey project, the bonding requirement is a 100-percent bonding. When you get the 100-percent bonding, it's almost impossible.

And something will have to be done in that area because we're looking at a project for $1.2 billion. And I think the maximum bonding right now available is $250 million.

Senator **Cranston**. How would the proposed early systems work agreements help in project implementation and financing? Or, would they?

Mr. **Leary**. Mr. Chairman, I can begin.

We thought that was a very innovative concept. It would help manage and finance the capital investments with some vision. There are some very simple illustrations of how it would work.

One simple opportunity that would be available to us would be creating the ability for us to land-bank railroad rights-of-way, enabling efficient management of our long-term program.

We are a region with eight railroad corridors and have a real strong potential of being light rail corridors, and protecting that for future investment would be high on our priority list.

Senator **Cranston**. Do you have any thoughts on whether we can design UMTA commitments to be contingent on the future availability of funds that will provide enough predictability for grantees to engage in more efficient management and financing of major capital projects?

Mr. **Weir**. Obviously, more money. I'll throw that on the table, No. 1.

No. 2, having a fair number of discretionary pots to go after to complete current projects.

I think the important issue from our standpoint has been raised before. And that's the predictability in terms of the budgeting process. It helps predict what the budget is going to be. It's far easier for us to design a project early and move along.

Senator CRANSTON. Concerning rolling stock, some operators have identified very serious problems with the current rules governing the procurement.

How do current practices lead to inefficiencies in procurement and the maintenance of rolling stock? And what changes in Federal laws will permit UMTA grantees to achieve greater efficiencies and lower long-term cost to the taxpayer?

Mr. LEARY. Mr. Chairman, why don't I begin again?

Frankly, we thought the idea of a multiyear procurement for rolling stock, that just made plain good sense.

Last year, we purchased 119 new buses. Next year, we're planning on purchasing 69 additional buses.

Had we been able to engage in a multiyear procurement, we could have assured ourselves of a standardized bus, eliminated inventories, gotten a much better price.

And I think, generally, the concept provides transit with an opportunity to lower its costs and provide higher quality transit equipment.

Senator CRANSTON. Yes?

Mr. MAGALDI. The main thing, Mr. Chairman, is it takes away the risk from the city and puts it on the contractor. And that makes it work a lot better than it is now.

It would help us out.

Mr. WEIR. Also, the cost-effectiveness of a particular bid, which may not necessarily, on the face of it, be the lowest bid, can move forward. An analysis of the actual effectiveness of a proposal might be entered into going as far as perhaps the life of a particular product, or the resalability of that product.

Senator CRANSTON. Governor Florio, when he testified, mentioned the need to link decisions on surface transportation with decisions under the new Clean Air Act.

The conformity provisions of the Clean Air Act will affect both air quality and transportation planning.

To further this objective, some have suggested that transit projects directly related to improving a region's air quality, such as a transportation control measure included in the State's air quality plan, should receive favorable treatment under Federal law.

I'd like your thoughts on the following:

What are the benefits and drawbacks of such a proposal?

How could these objectives be reflected in the UMTA project approval process?

What incentives would be most appropriate?

And I'd particularly like to hear Mr. Weir's comments on this point, since MTC has been involved in litigation over the Clean Air Act implementation.

Mr. WEIR. Senator, I'll be happy to respond.

For the last 2 years, we have been under litigation. And a good part of that under court order not to move forward with any highway projects that improve the capacity carrying of those systems.

And while we've had a favorable ruling from that judge, the issue that's remaining does deal with the TCM.

I can give you a list of concerns.

Probably uppermost is our ability to implement transportation control measures.

The judge would not accept good ideas from us. He wanted hard proof that TCM's would, in fact, be implemented.

We are still in court over that issue, and I think the TCM's ought to have as fast a track through the environmental process as possible.

And so, if this issue can be addressed, we do not want to be held up in moving forward with a good road project because we are tied up in trying to define a TCM from an environmental standpoint.

Second, there ought to be money that goes into TCM's. Verification and control measures. We ought to have the authority to implement those before they can be counted in court, and for the 90-some odd metropolitan areas that are not now conforming to the Federal Clean Air Act.

Just maybe a little forewarning. The litigation is brutal and it is costly and extraordinarily divisive.

Maybe I'm harking back to the issue of roads versus the highway projects. But, if you have to go to an area and say, look, you can't use your road money and the road money match that you get. You've got to transfer that over to a transportation system, for instance, a light rail system, and the match is much harder on that.

From our standpoint, it makes it a very, very bitter pill to swallow.

We're hoping that we're coming through that. We have defined that in the form of a process which, in fact, does demonstrate that some road capacity enhancing helps meet Clean Air standards.

Although many may doubt that, I think we finished the first and most sophisticated model in the United States to demonstrate that. The environmental community is still skeptical but, nonetheless, we think a good balance between roads and transit can meet the economic needs and the air quality needs of that particular region.

Senator **Cranston**. Any other comments?

Mr. **Magaldi**. As you know, in Hawaii, we don't have a problem with clean air because of the prevailing trade winds. So we wouldn't want a bias built in for other municipalities that don't have that problem. There should not be a penalty for the cities such as Honolulu.

Senator **Cranston**. I've asked you the questions I wanted to put to you. Have I overlooked anything that you would like to bring to our attention? Any major points beyond what's in your written testimony?

Mr. **Stangl**. I would simply like to say that the staff report is I think a terrific starting point. There's a lot of good stuff in there. I hope some of it came about when your staff visited New York in terms of discussing it.

But, there's really an awful lot of good stuff in there. We look forward to working that through with you and the staff in the next month or so.

Senator **Cranston**. I've asked you a lot of very specific questions today. Maybe, too specific.

I'd like to give you copies so that if you feel you would like to elaborate in any way in writing, please do so.

[Information follows:]

DEPARTMENT OF TRANSPORTATION SERVICES
CITY AND COUNTY OF HONOLULU
HONOLULU MUNICIPAL BUILDING
650 SOUTH KING STREET
HONOLULU, HAWAII 96813

FRANK F. FASI
MAYOR

JOSEPH M. MAGALDI, JR.
DIRECTOR

AMAR SAPPAL
DEPUTY DIRECTOR

91-193

May 9, 1991

Mr. Edward M. Malan
Senate Committee on Banking,
Housing, and Urban Affairs
Room SD 534
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Malan:

Enclosed is a corrected copy of the transcript of the remarks of Mr. Joseph M. Magaldi, Jr. before the Subcommittee on Housing and Urban Affairs hearing on Re-authorization of The Urban Mass Transportation Act held on Wednesday, April 24, 1991.

The following additional comments address questions and issues relating to the Re-authorization of the Surface Transportation Assistance Act posed by the Subcommittee.

The use of the cost-effectiveness indices (CEI) has been problematic for the Honolulu project. The CEI is a very narrow measure of the desirability or usefulness of a new start project. In the case of Honolulu, the application of the federal CEI criteria has placed burdensome restrictions on the extent of rail alternatives that can be developed in Honolulu. Because of the need to meet CEI thresholds, the "federal" project has had to be scaled back from a longer project that is more attuned to local mobility requirements. In another instance, a more expensive configuration is eliminated from consideration since it cannot meet the CEI threshold even though it would reduce the environmental impacts and therefore be more acceptable to the community.

It would be beneficial to have flexibility in the expenditure of federal transportation dollars across transportation modes; however, the implementation of such a concept would require a policy or guidelines to resolve the inevitable conflict between highway proponents and transit proponents. As a suggestion, for new starts such guidelines might specify a concept similar to UMTA's procedures for Transit Project Planning in which the transportation problems and corridors are identified and prioritized and then the specific strategy for solving the problem is identified through an alternatives analysis process. The funding would then be applied to the most cost-effective solution identified from this analysis. A mechanism might be devised which permits the local jurisdiction to include local goals and objectives, but ultimately the decision should come down to cost-effectiveness. In furtherance of the concept of cost-effectiveness, on the cost side a more equitable treatment could be made of capital and operating costs of the competing modes. In the past many of the not insubstantial costs of the highway side have been ignored with the result that transit alternatives have often suffered in the comparison. Criteria that make the playing field "more level" would benefit the overall process.

In terms of additional selection criteria for rationing scarce federal dollars, a number of criteria have been suggested in the past. The tendency is to use criteria that are of national importance which may not necessarily reflect local concerns. For example: criteria that achievement of national air quality standards would either be irrelevant or a penalty in an area such as Honolulu which does not have an air quality problem due to its climatic environment. On the other hand local criteria could include more emphasis on land use and development issues.

With regard to the Administration's suggestions to codify current selection procedures and proposals for new criteria:

a. First, increases in ridership is not a new criteria. Along with cost it is presently the only criteria. The benefits and drawbacks of this criteria have long been discussed in detail. Attempts to provide national standardization in definition of alternatives and patronage estimation procedure have been undertaken over the past several years without satisfying results.

b. Likewise, local funding initiatives also is not new. However, there should be a mechanism to provide a positive benefit for an overmatch.

In the area of project management, several areas could be improved:

a. The major delay factors on most projects, which then result in increasing the overall cost of the project, are right-of-way acquisition and vehicle manufacture. Current procedures prohibit advance purchase or commitment to purchase of either. This is predicated on the need to avoid commitment of federal funds for projects which have not yet been approved for implementation. This ruling should be modified to allow local jurisdictions to make such commitments without prejudicing their funding, but without committing the federal government to reimburse their costs. In that way jurisdictions wishing to accelerate implementation could do so without impediment and without usurping the prerogative of the federal government to not participate in a project.

b. Along these same lines, under the current regulations UMTA cannot provide its Full Funding Grant Agreement (FFGA) until Preliminary Engineering and a Final Environmental Impact Statement (PE/FEIS) are completed and approved. Conventional procurements are not started until the FFGA is entered into. Therefore, funding is firmly in place prior to the start of any of the major procurements. However, in the case of turnkey contract arrangements where proprietary designs are included and the widest possible range of competition sought such as now being pursued in Honolulu, the contractor and its proposed technology must be selected prior to completion of the PE/FEIS. Since the FFGA has not yet been entered into, funding for the project has not been fully committed. Therefore, any turnkey contract must include a provision which does not commit the City beyond the first phase (PE/FEIS), making the contract contingent upon the FFGA. This provision which is included in the Honolulu RFP places some uncertainty in the competitive arena and proposers are hesitant to make a significant investment in a detailed proposal which is required for the more complex turnkey contract. In fact, most serious vendors will spend several million dollars just to submit a credible proposal for our project.

The lack of the FFGA at the time when the competition for the turnkey contract is to be carried out, places the full financial and legal burden of project implementation on the City. The Early Systems Work Agreements described in the Staff Discussion Draft of your Metropolitan Transportation Initiative could be used to lighten this burden on the City. Also provisions of a phased FFGA might be conditional upon the successful completion of specifically defined milestones. The FEIS could be one of those conditions. This would allow early commitment of the funding, contingent only on specific items, whereas the present process makes no commitment at all at the time the turnkey procurement competition is held.

c. Current UMTA policy for surety bonds requires that a grantee comply with all state and local legal provisions with respect to performance and payment bonds. If UMTA is not comfortable with the grantee's ability to comply with all state and local laws or if it feels that its interests are not adequately protected, it requires a 100% performance and payment bond on the construction portion of the project. Under the conventional procurement process which has multiple construction and equipment contracts, bonds at 100% of the contract price are available. However, for a turnkey contract there is only one much larger fixed-price contract which can easily exceed the available bonding capacity for a single construction project. Surety industry officials have advised that total worldwide bonding capacity for a single construction project is approximately $250 million. To give a sense of the magnitude of the problem, about $735 million of Honolulu's directly related construction costs is contained in a single turnkey contract. Thus the City is confronted with how to deal with what constitutes an acceptable level of risk beyond that which is commercially insurable.

UMTA has been very helpful in assisting the City in resolving this problem. The City has reached an agreement with UMTA that vendors will be limited to providing at least $250 million in surety. Upon selection of a vendor, the City will undertake a very detailed risk analysis to determine what portion of construction contracts might be at risk beyond the $250 million threshold at any given point in time. UMTA may require the City to establish a cash reserve fund to cover any risk beyond $250 million.

This is a very complex and important issue. UMTA has shown flexibility in assisting the City with the issue; however the process has taken a considerable amount of time to resolve for all concerned. In the alternative, some consideration should be given to the provision of federal guarantees for bonding coverage beyond worldwide capacity. Such coverage would be available at comparable rates and terms as the initial $250 million of coverage.

We regard the measures suggested in the Staff Discussion Draft for Multi-year Procurement of Rolling Stock as constructive for dealing with the issues in this area.

In closing, I would like to thank the Committee for the opportunity to present our views on this very important matter.

Sincerely,

JOSEPH M. MAGALDI, JR.

Enclosure

Senator CRANSTON. Thank you very much.

Now, we come to panel No. 2. I'd like them to come to the table. On it are Ronald Hartman, administrator, Mass Transit Administration, in Baltimore; Albert Martin, general manager, Suburban Mobility Authority for Regional Transportation, Detroit; Ryland McClendon, chair of the Metropolitan Atlanta Rapid Transit Authority, Atlanta; Art Luby, Transport Workers Union of Washington, DC; and Robert Molofsky, legislative director of the Amalgamated Transit Union, Washington, DC.

Your written statements will appear in the record as if read.

What I'd like to ask you to do is, for not more than 5 minutes, summarize your testimony, making the most important points, and that will leave time for some questions.

Why don't we start in the order I introduced you, with Mr. Hartman.

STATEMENT OF RONALD HARTMAN, ADMINISTRATOR, MASS TRANSIT ADMINISTRATION, BALTIMORE, MD

Mr. HARTMAN. Good afternoon, Mr. Chairman and members of the committee. I'm the general manager of the Mass Transit Administration in the State of Maryland. We are an organization that is somewhat unique in that we're part of a State government.

We, along with our sister agencies in Highways, Aviation, Port and Motor Vehicle Licensing, are part of the Department of Transportation. We're fortunate in having a dedicated State Transportation Trust Fund for our needs.

We operate about 900 buses and 100 rail cars, carrying about 300,000 people a day. We have an extensive construction program right now extending our subway 1½ miles and are building a 22-mile light rail system. That system is being built entirely with State funds and some local funds.

We also operate commuter rail service on three lines between Baltimore and Washington, and from western Maryland to Washington, DC.

Regarding the reauthorization program, we generally favor the legislation based on making some modifications to existing programs rather than complete attempts to restructure. But, we believe there are a number of changes that are appropriate, and I'll mention quickly just some of the key ones.

I think the legislation overall is really essential to transit taking on its rightful role as part of the solutions to energy, congestion and environmental and other urban issues which face us as a nation.

First and foremost, I guess, we are greatly concerned about the loss of Federal operating assistance. Although it is a small component, relatively speaking, of our budget, it's a tremendously important one.

We receive about $10 million a year in operating aid, and the loss of those funds would come at a time when the State has serious financial problems. And, in our case, will most likely mean the diversion of State funds to be used for system preservation to fill out the operating program.

We have gone to great lengths over the last few years to control our costs and make cuts. We've taken a business approach. The State has supported our capital and operating needs to the tune of hundreds of millions of dollars, and our customers are doing their share with the State law we have that requires at least 50 percent of our operating costs to come from fares.

And we have been in compliance with that every year.

We work hard to manage better, to reduce mileage that's unproductive. And we're getting to the point that where there is not much left—and what is left in some cases is beginning to discourage ridership.

We're taking innovative approaches to creating service projects, working hard to schedule more efficiently and literally squeeze every ounce of productivity out of the system.

We're stressing a Tom Peters type of quality management that will be aimed at customer service programs, which we think will help us build our revenue.

With the loss of operating assistance, we're getting to the point where we have done so much there's not much to do. We have contained our operating costs at less than the rate of inflation over the last 5 years.

So, if we are to accept another cut in the 10-percent range, I think it's going to mean some very serious changes for our system.

Beyond the changes in operating assistance, I guess I would also echo some of the comments you heard earlier about changes in the matches. The match is very important to us in doing our planning and changing the match on the formula program to a 40-percent contribution could in our case mean that we would actually leave some Federal funds on the table because we did not bring the State funds to bear to match the Federal funds.

Beyond that, I'd make a comment about the rail modernization program, which in many ways is key to our operating program.

We certainly support that component. The older systems very much have the need for the funds. The time is now arriving when some of the newer rail systems like ours in Baltimore also need funds to avoid the costly consequences of deferred maintenance that we've seen in other places.

I think, in general, especially as it relates to the operating proposal, we have spent the last 10 years on our transit system trying to bring our bus system back from the depths of a terrible deferred maintenance program and to keep a new rail system in a new State so that it's not going to need major amounts of maintenance over the years.

We're very much concerned with the match ratios and the loss of operating assistance that we would go back to those kinds of situations.

Thank you.

Senator CRANSTON. Thank you very much.

[The complete prepared statement of Ronald Hartman follows:]

TESTIMONY

Provided to the

SENATE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

by

Ronald J. Hartman
Administrator/General Manager
MARYLAND MASS TRANSIT ADMINISTRATION

Regarding

URBAN MASS TRANSIT REAUTHORIZATION

April 24, 1991

Good Morning, Mr. Chairman and members of this Committee. My name is Ronald J. Hartman and I am the Administrator/General Manager of the Maryland Mass Transit Administration. I appreciated your invitation to me to testify on the reauthorization of the federal urban mass transit programs.

The Maryland Mass Transit Administration (MTA) is unique, because it is one of the very few public transportation agencies which is owned and operated by state government. The MTA is a modal administration of the Maryland Department of Transportation, together with other agencies having statewide responsibilities for highways, aviation, ports and motor vehicle licensing and registration. Maryland is fortunate in having a dedicated transportation trust fund for all statewide modes of transportation.

The MTA operates about 900 buses and 100 rapid transit cars in the Baltimore Metropolitan Area. We carry about 300,000 passengers each weekday, of which 50,000 ride Metro and the remainder on buses. We are very proud of our Baltimore Metro and take pride that our second phase to Owings Mills was completed about $40 million under budget. We are now constructing the third phase to Johns Hopkins Hospital which will be completed by the middle of the decade. We are also constructing the Central Light Rail Project and the first phase to serve the new Camden Yards Stadium will be completed about a year from now. The initial 22 miles from Timonium in Baltimore County, through Baltimore City, and to Dorsey Road in Anne Arundel County is being funded entirely by State and local funds. We are requesting federal funds for three extensions to serve Hunt Valley Industrial Park to the north of Baltimore County, BWI Airport and the Amtrak Penn Station.

Our State Railroad Administration (SRA) operates commuter rail service on three lines serving Baltimore, Washington, Brunswick, Maryland, and points in between. Next month we will begin a new commuter rail service between Baltimore and Perryville, Maryland. Ridership on existing commuter rail lines has almost tripled during the past decade.

Finally, we provide capital and operating assistance to other transit systems in Maryland, as part of our Statewide Transit responsibility. This assistance utilizes federal as well as State funds.

Regarding the reauthorization of the federal transit programs, we generally favor reauthorizing legislation based on modifications to the existing programs rather than on attempts to restructure the entire federal transportation system partnerships. We believe that the basic structure of the existing UMTA program is sound. There should continue to be both a formula component and a discretionary component in the reauthorization. We do recommend a number of changes from existing law and from the Administration's proposal which would be beneficial not only to the transit in Maryland, but to the entire nation.

I would first like to discuss federal operating assistance. The Administration proposes to eliminate all federal operating assistance to urbanized areas over one million. Their rationale is that large urban areas do not need this assistance because it represents only a small percent of total operating costs. While the level of operating assistance, for most transit agencies, is much less than the fifty percent of the net operating deficit that is allowed in the current UMT Act, this assertion is far from being true. The elimination of operating assistance for large urban areas could result in a reduction of transit service and fare increases required to offset the loss in federal operating funds. This would result in increased traffic congestion on our urban streets and freeways and in the degradation of air quality at a time when the recently enacted Clean Air Act requires reductions in automobile VMT and greater reliance on public transit.

The MTA receives about $10 million a year in federal operating aid and the loss of these funds would come at a time when Maryland, like most other states is facing serious financial shortfalls. In Maryland's case, the elimination of federal operating funds might require state funds to be diverted from system preservation needs in order to compensate for the loss of federal operating assistance. I urge the Committee to continue operating assistance at no less than the current annual level of $800 million.

Secondly, let me comment on the Administration's proposal to reduce the federal share for formula capital grants from 80 percent to 60 percent. This would double the state and local shares from 20 percent to 40 percent. It will curtail much of the needed systems preservation work that must be performed to maintain service quality, reliability and safety. It will definitely have a negative impact on reducing the affordability of MTA's annual bus replacement program. This program, that involves the purchase of 80 replacement buses a year, is extremely vital in not only keeping our bus fleet modern, but in reducing the level of operating expenditures needed for maintenance and for MTA's parts inventory. The Administration's proposed funding reductions would take place as transit systems are faced with costly new requirements mandated by the Clean Air Act and Americans with Disabilities Act. These two recently enacted laws will improve the quality of life for many people, but there are major costs involved for which the federal government has an obligation to contribute.

Next, I would like to talk about the Interstate Transfer Transit Program. In the Baltimore area, this program has funded the second and third phases of the Baltimore Metro. It has been an extremely worthwhile program because cities and states wanting to withdraw non-essential segments of the interstate highway system could use substitute funds for major transit projects. The Interstate Transfer Program is now winding down, but it is important that it not be forgotten in the reauthorization. The Administration proposes to fund this program at an annual level of $160 million for FY 1992 and FY 1993, at which time it would be completed. We strongly support this part of the Administration's reauthorization proposal.

Last, there is one area which will become more important each year for the newer rail transit areas. I am referring to the Rail Modernization Program. Rail Modernization has been looked upon as an annual need for the older rail systems such as New York, Philadelphia, Boston, etc, but the need is developing for rehabilitating and upgrading rail transit systems built in the 1970's and 1980's such as Baltimore and Washington, among others. The time is now arriving when these newer systems need funds in order to avoid the costly consequences of deferred maintenance experienced in systems in New York and Philadelphia.

The eight historic recipients to the Rail Modernization Program have requested that their annual share not be reduced because of newer systems being eligible for these funds. We support this, but at the same time, recognize that the newer systems require some funding sooner. The Administration proposes to transfer Rail Modernization funds from discretionary to formula. We support placing most of this program on formula basis, but request that a portion be retained as discretionary in order to fund major projects which cannot be completed with only the formula apportionment.

I wish to thank the Committee for inviting me to testify and look forward to working with you during the legislative process.

Senator CRANSTON. Mr. Martin.

Mr. MARTIN. Thank you very much, Mr. Chairman.

STATEMENT OF ALBERT MARTIN, GENERAL MANAGER, SUBURBAN MOBILITY AUTHORITY FOR REGIONAL TRANSPORTATION, DETROIT, MI

Mr. MARTIN. The program proposed by the current administration for reauthorization does not afford public transportation the opportunity for growth or even maintaining its current place in improving the quality of life in this country.

The proposal reduces Federal participation and the funding for public transportation. One aspect of the administration's proposal would eliminate the operating assistance now being provided by the Federal Government.

This elimination would occur for areas with 1 million people or more. This would have an extremely negative and counterproductive result.

In the urban areas of our country, specifically in metropolitan Detroit, the implementation of this element of the administration's proposal would mean the elimination of the suburban system, SMART.

Our system receives all its operating money from the Federal Government, the State of Michigan, and the fare box.

Our fare box recovery rate is approximately 30 percent. The elimination of the Federal Operating Assistance Program would mean that State and local governments would have to replace these dollars.

This cannot be done without a period of preparation. We recognize that we are one of the very few major metropolitan areas without a local source of money for the operation of public transit. And we are in the process of addressing that issue.

But, to be faced with a reduction of $20 million in operating assistance, without an identified source of replacement funds, would mean the shutdown of the suburban system in metropolitan Detroit and a tremendous reduction in the services offered by the Detroit City Department of Transportation.

This lack of a suburban transit system would further exacerbate an already unfortunate system of not enough regional mobility.

In the minds of many, Detroit, known as the Motor City, could survive without a public transit system. But, let me assure you, Senator, nothing could be further from the truth.

Approximately 30 percent of the Motor City households have no automobile. And 40 percent have only one automobile. Regionally, 47 percent of households have no car, or only one car. And the residents are, therefore, dependent on public transportation or scrambling with friends and relatives to satisfy their transportation needs.

During the last 20 years, labor shortages in suburban areas caused by an aging population providing fewer workers to take entry level positions and service jobs has revived the concept of transporting the urban jobless to the employment centers of the suburbs.

With the help of Federal operating assistance, regional public transit systems are able to play a significant role in getting the jobless to the jobs.

This is critical when we consider the fact that 75 percent of the new jobs created in southeastern Michigan during the last decade are located in peripheral suburban areas beyond the reach of most available transit services.

Access to employment is of critical concern to southeastern Michigan, an area where unemployment rates in older cities like Detroit and Pontiac are at 10 percent or higher and the 7-percent regional unemployment rate exceeds the national average.

It is obvious that public transit must expand service to the emerging suburban business districts. Even as suburban businesses in Michigan and elsewhere are having trouble finding workers, many urban residents remain locked in economic ghettos, unable to get public transportation to areas where job growth is the highest.

This issue is an overlooked cause of joblessness and is especially relevant in metropolitan Detroit where a traditional neglect of public transit brought the gulf between city and suburbs.

A recent study by the Metropolitan Affairs Corporation, a private Michigan research group, found more than half of southeastern Michigan's 180,000 unemployed people live in Detroit.

Senator, let me just close by indicating that a reduction in operating assistance would mean a reduction in public transportation around the country.

Thank you.

[The complete prepared statement of Albert Martin follows:]

REMARKS BY ALBERT A. MARTIN, GENERAL MANAGER, SUBURBAN MOBILITY AUTHORITY FOR REGIONAL TRANSPORTATION (SMART), BEFORE THE SENATE BANKING COMMITTEE HEARING ON REAUTHORIZATION ON APRIL 24, 1991

Thank you, Mr. Chairman and members of the Committee, for affording me the opportunity of discussing with you this afternoon reauthorization of the Federal Surface Transportation Act. Reauthorization of the Federal Surface Transportation program must recognize the necessity in our nation for an effective public transportation service.

The benefits of effective public transit are: energy conservation; cleaner air; efficient movement of goods, services, and people; and last, but my no means least, economic growth and vitality. Effective public transportation is also required in order to have a society where all of its citizens are participants in a productive manner.

While it is obvious that effective public transit is essential to improving the quality of life for Americans, I will only address with you this afternoon the impact that it has on the economy of a major metropolitan area, and the impact that it has on the phenomenon identified as urban sprawl.

The program proposed by the current Administration for reauthorization of the Federal Surface Transportation Act does not afford public transportation the opportunity for growth or even to maintain its current place in improving the quality of life in this country. The proposal reduces federal participation in the funding for public transportation. One aspect of the Administration's proposal would eliminate operating assistance now being provided by the federal government. This elimination would occur for areas with one million or more people. This would have extremely negative and counterproductive results. In the urban areas of our country, specifically in metropolitan Detroit, the implementation of this element of the Administration's proposal would mean the elimination of the Suburban Mobility Authority for Regional Transportation (SMART).

Our system receives all of its operating money from the federal government, the state of Michigan, and the farebox. Our farebox recovery rate is approximately 30 percent. The elimination of the federal operating assistance program would mean that the state and local governments would have to replace those dollars. This cannot be done without a period of preparation.

We recognize that we are one of very few major metropolitan areas without a local source of money for the operation of public transit, and we are in the process of addressing this issue. But to be faced with the reduction of $20 million in operating assistance, without an identified source of replacement funds, would mean the shutdown of the suburban system in metropolitan Detroit.

This lack of a suburban transit system would further exacerbate an already unfortunate system of not enough regional mobility. In the minds of many, Detroit, known as the Motor City, could survive without a public transit system. But let me assure you, nothing is further from the truth. Approximately 30 percent of the Motor City households have no automobile, and 40 percent have only one automobile. Regionally, 47 percent of households have no car or only one car, and are therefore dependent on public transit or scrambling with friends and relatives to get to their jobs, schools, doctors' appointments, etc.

During the last twenty years, labor shortages in suburban areas caused by an aging population providing fewer workers to take entry-level positions and service jobs, has revived the concept of transporting the urban jobless to the employment centers of the suburbs. With the help of federal operating assistance, regional public transit systems are able to play a significant role in getting the jobless to the jobs.

This is critical when we consider the fact that 75 percent of the new jobs created in southeastern Michigan during the last decade are located in peripheral suburban areas, beyond the reach of most available transit services. Access to employment is of critical concern in southeastern Michigan, an area where unemployment rates in older cities like Detroit and Pontiac are at ten percent or higher, and the seven percent regional unemployment rate exceeds the national average. It is obvious that public transit must expand service to the emerging suburban business districts. Even as suburban businesses in Michigan and elsewhere are having trouble finding workers, many urban residents remain locked in economic ghettos unable to get public transportation to areas where job growth is highest.

This issue is an overlooked cause of joblessness, and it is especially relevant in Detroit where a traditional neglect of public transit broadens the gulf between city and suburbs. A recent study by the Metropolitan Affairs Corporation, a private Michigan research group, found that more than half of southeastern Michigan's 180,000 unemployed people live in Detroit. For the chronically jobless, lack of transportation is perceived as an insurmountable barrier. Fortunately, it is one of the barriers that can be knocked down with a partnership in place involving the federal government, local governments, and the private sector.

It is obvious that the sprawling development, which is a phenomenon of today's urban areas, has a negative impact for the transit dependent--the handicapped, the elderly, the poor, the young, and the chronically jobless. If our society is to address this problem successfully we can only do so with the implementation of a comprehensive, cost-effective public transit system. Our economy and our residents demand and deserve nothing less.

The next element of the Administration's reauthorization proposal that is disturbing is the inequitable federal/local cost sharing as it relates to highway construction and transit funding. Under the Administration's proposal, the federal government would provide between 75 and 90 percent of the cost for most highway programs. The equivalent program for transit projects would be 50 to 60 percent. Therefore, local governments would have a much greater incentive to build highways since they could receive more federal funds for fewer local dollars than they would receive by funding public transit.

This inequity, given the crucial role that public transit can play in our lives, must not be approved. Modal biases generated by different matching levels should not influence the local decision-making process regarding transportation investment. In fact, any disparity ought to be predicated on the furtherance of public policy objectives, such as, energy conservation, environmental considerations, and economic development--all of which favor transit investment. It is my desire to retain the current 80 percent/20 percent federal/local matching ratio under the Urban Mass Transportation Administration's (UMTA) program, and apply this ratio to all transportation capital projects under federal surface transportation programs.

The Administration's proposal also incorporates an element identified as flexibility. This flexibility is defined as the ability to use highway dollars for transit, or transit dollars for highways. While only 20 to 25 percent of highway dollars could be used for transit, the entire pot of federal transit funding could be used on highway projects. The Administration has even gone so far as to defend their meager funding for transit by claiming that transit is being treated fairly since $4 billion in highway funding is now available for use on transit projects. Perhaps in California where environmental concerns have reached a crisis stage, this message will be received well. However, I somehow have a difficult time envisioning metropolitan Detroit counties turning over 25 percent of their federal highway dollars for transit projects, particularly given their backlog of roadway maintenance and improvement projects.

Now, please, don't get me wrong, I do not for a single instant begrudge our highway friends the additional dollars they require. I am concerned about the lack of basic equity between the various modes in the Administration's proposal. As I said, public transit recognizes the highway needs and the importance of maintaining the basic roadway infrastructure. After all, our buses use the same streets and highways and fail victim to the same congestion. My major complaint about the proposal is simple--it shortchanges public transit and fails to see the importance of maintaining and improving transit infrastructure along with our highways.

I certainly agree that there should be increased flexibility for local and state governments to spend transportation funds. However, the policy of flexibility adopted by Congress should assure that transit needs are adequately met before any funds are transferred. It is inequitable to have slashed funding in half over the past decade, and then insist that what little is left be totally up for grabs by highway projects in the future. At current levels, transit cannot afford its core needs much less subsidize the highway program.

In conclusion, comprehensive, cost-effective public transit and transportation play critical roles in helping this nation solve many of the problems with which we are confronted. We must use the tool of public transit for the maximum benefit of our society. We will be unable to accomplish our goals without the full cooperative participation of the federal government, the local governments, and the private sector. Public transit stands before you ready to do our part. Please don't overlook us when working to build a stronger, better America.

Thank you.

Senator CRANSTON. Thank you very much.
Ms. McClendon.

STATEMENT OF RYLAND McCLENDON, CHAIRPERSON, METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY [MARTA], ATLANTA, GA

Ms. McCLENDON. Good afternoon, Senator. I'm pleased to have the opportunity to speak to you today about the vital importance of a section 9 operating assistance program to the Atlanta region.

MARTA operates a comprehensive bus and rail system consisting of 1,500 route miles of bus service, 32 miles of rapid rail lines and 29 passenger stations.

Annually, MARTA provides 45.9 million vehicle miles of bus and rail service to the citizens of the Atlanta region; 148 million passenger trips or boardings occur on the combined system annually.

During fiscal year 1991, the Atlanta region will receive $6.1 million in Federal operating assistance, of which $5.4 million have been allocated to MARTA.

MARTA utilizes this funding to subsidize the cost of providing bus and rail service to the riding public. And we depend on the Federal operating assistance as a stable source of revenue.

Like practically all other public transit providers, MARTA is required to submit a balanced budget each fiscal year. If operating assistance were eliminated, MARTA would face no real alternative but to raise fares and/or to reduce service.

The loss of Federal operating assistance would result in a number of major adverse impacts to the Atlanta region, decreased mobility for the transit-dependent, increased traffic congestion, increased energy consumption and increased air pollution.

While MARTA does have a dedicated source of funding, a 1-percent local sales tax, it is directly tied to local economic conditions and we are feeling the effects of the recession.

Due to the lack in sales tax revenues, MARTA has recently implemented substantial cost reduction measures, including employee layoffs, in order to balance our budget. The $5.4 million in operating assistance currently received by MARTA represents approximately 10 cents on the fare. If fares were increased by 10 cents from our present fare of $1 to $1.10, ridership would decrease by approximately 10,000 weekday passenger trips, or 2.6 million passenger trips annually.

The amount of operating assistance received by MARTA represents approximately 3 million annual bus miles. If this service were cut, MARTA would experience a decrease of approximately 1.5 million passenger miles annually.

Whether the transit authority makes up for the loss of operating assistance by increasing fares or reducing service, our customers, particularly those who have no other transportation option, would be adversely impacted.

In Atlanta, 29 percent of our riders have household incomes of less than $15,000 per year and 43 percent of all our riders are transit-dependent.

As we have previously testified before this committee, MARTA's success has been based in no small part on the Federal and local partnership. We believe that the continuation of this vital partnership is essential to providing those Americans residing in urban areas with effective and affordable transit service.

It is the large urban areas of our Nation which have the most to benefit from an extensive and affordable public transit network and it is the large cities which will suffer the most if operating assistance were to be cut.

In summary, the elimination or reduction of Federal operating assistance will be a major blow to the Atlanta region and other urban areas throughout our Nation.

MARTA depends on this subsidy. Without it, fares would have to be increased or service reduced in order to balance our budget.

Mr. Chairman, I urge Congress to continue the Federal, local and public transit partnership by reauthorizing transit operating assistance to urban areas of over 1 million.

And I appreciate the opportunity to share my thoughts with you.

[The complete prepared statement of Ryland McClendon follows:]

TESTIMONY OF

RYLAND N. McCLENDON, CHAIRPERSON

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY (MARTA)

BEFORE THE

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS
OF THE
SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

WASHINGTON, D.C.

APRIL 24, 1991

Good Afternoon, Mr. Chairman, I am Ryland McClendon, Chairperson of the Metropolitan Atlanta Rapid Transit Authority (MARTA). I am pleased to have the opportunity to speak to you today about the vital importance of the Section 9 Operating Assistance program to the Atlanta region.

MARTA operates a comprehensive bus and rail system consisting of 1,500 route miles of bus service, 32 miles of rapid rail lines and 29 passenger stations. Annually, MARTA provides 45.9 million vehicle miles of bus and rail service to the citizens of the Atlanta region. One hundred and forty-eight million passenger trips (or boardings) occur on the combined system annually.

The Atlanta Region and MARTA greatly depend on Federal Operating Assistance as a stable source of revenue; this is underscored by the fact that the Atlanta Region has continued to fully program all operating assistance monies allocated to the Region since the program's inception.

The Atlanta Region will receive $6.1 million in Federal Operating Assistance during Fiscal Year 1991, of which $5.4 million has been allocated to MARTA. MARTA utilizes this funding to subsidize the cost of providing bus and rail service to the riding public.

MARTA, like practically all other public transit providers, is required to submit a balanced budget each fiscal year. If operating assistance were eliminated, MARTA would face no real alternative but to raise fares and/or reduce service. The loss of Federal Operating Assistance would result in a number of major, adverse impacts to the Atlanta Region:

- decreased mobility for the transit dependent
- increased traffic congestion,
- increased energy consumption and
- increased air pollution.

In recent years, the costs of operating our bus and rail system has risen significantly. In particular, rising health care cost and diesel fuel costs have placed additional demands on the operating budget. MARTA has responded to these increased costs in a fiscally responsible manner by enacting three separate fare increases since 1987. Service on some of our less heavily traveled bus routes has also been reduced.

While MARTA does have a dedicated source of funding -- a one percent local sales tax -- it is directly tied to local economic conditions, and we are feeling the effects of the recession. Due to lagging sales tax revenues, MARTA has recently implemented substantial cost reduction measures, including employee layoffs, in order to balance our budget. Our administrative overhead has been reduced significantly. Consequently, if operating assistance were eliminated, our choices would be limited to either increasing fares or reducing service.

The $5.4 million in operating assistance currently received by MARTA represents approximately 10 cents on the fare. If fares were increased by 10 cents (from $1.00 to $1.10), ridership would decrease by approximately 10,000 weekday passenger trips or 2.6 million passenger trips annually. Moreover, such a fare increase would curtail the effectiveness of current marketing efforts to generate new riders, discouraging those now commuting by auto from making the switch to transit.

If the loss of operating assistance were made up by reducing service, the impact would be significant. The amount of operating assistance received by MARTA represents approximately 3 million annual bus miles; if this service were cut, MARTA would experience a decrease of approximately 1.5 million passengers annually.

Whether the Transit Authority makes up for the loss of operating assistance by increasing fares or reducing service, our customers, particularly those who have no other transportation option, would be adversely impacted. Twenty-nine percent of MARTA's riders have household incomes of less than $15,000 per year, and 43% of all riders are transit dependent.

To those who would propose that transit agencies tap other sources of funding to replace operating assistance, I submit that there simply are no other sources available in the near term--especially in this time of economic recession. State governments, such as Georgia's, which have been required to assume additional financial responsibility from the Federal government, are currently undergoing fiscal stress. In these tight economic times, it is increasingly difficult for transit providers such as MARTA to secure additional financial support from state or local governments.

As we have previously testified before this committee, MARTA'S success has been based in no small part on the Federal - local partnership. We believe that the continuation of this vital partnership is essential to providing those Americans residing in urban areas with effective and affordable transit service.

Moving Americans via public transit, rather than automobiles, is linked to the success of other critical national priorities. For example, the continuation of Federal operating support for our nation's transit providers is directly linked to the attainment of the goals sought by the Clean Air Act amendments of 1990. The elimination of transit operating assistance would be counterproductive to the purposes of this act, and to stated Congressional policy. The transit ridership losses which would accompany the elimination of operating assistance would lead to increased traffic congestion and gasoline consumption which would result in increased vehicle emissions and air pollution. This would particularly impact the Atlanta region -- which, according to EPA, has one of the more serious air pollution problems in the nation.

The Administration proposes to eliminate operating assistance to urbanized areas over one million in population. It is precisely the larger urban areas of our nation which have the most to benefit from an extensive and affordable public transit network, and it is the larger cities which would suffer the most if operating assistance were to be cut. The large urbanized areas are most acutely impacted by the twin problems of traffic congestion and air pollution, and are currently struggling to overcome these problems with limited resources.

In summary, the elimination or reduction of Federal Operating Assistance would be a major blow to the Atlanta Region, and other urban areas throughout our nation. MARTA depends on this subsidy -- Without it, fares would have to be increased or service reduced in order to balance our budget. This would result in increased traffic congestion and air pollution and decreased mobility for all residents of the metropolitan region. Mr. Chairman, I urge Congress to continue the Federal - local public transit partnership by reauthorizing Transit Operating Assistance to urban areas over one million. And I appreciate the opportunity to share these comments with you.

Senator Cranston. Thank you very much.
Mr. Molofsky.

STATEMENT OF ROBERT MOLOFSKY, LEGISLATIVE DIRECTOR, AMALGAMATED TRANSIT UNION, WASHINGTON, DC

Mr. Molofsky. Thank you, Mr. Chairman. I appear on behalf of our president, Jim LaSala. I appreciate the opportunity to discuss the administration's proposals, and the committee's draft proposal which we have reviewed and commend.

We submitted a detailed statement to the committee and a summary outline. Our 10 basic areas of concern, including the need to pass the bill, reflect the compelling needs that you have heard other witnesses discuss, including transportation effects on the quality of life in our cities and suburban areas and suburbs and rural areas.

Funding levels we've outlined include increased funding of up to $6 billion a year, by raising the gas tax, if possible.

Maintaining operating assistance; as others have just testified, this is essential at least at the current levels, if not higher; maintaining the current local/Federal share ratios; retaining the discretionary general fund program; and also making changes in the Federal tax laws to eliminate unfair taxation of employer providers.

The three issues I'd like to emphasize in the few brief moments I have before your questions involve our interest in assuring that the National Transportation Policy that we develop includes a well-defined National Transportation Labor Policy.

Transit labor workers totaling 250,000 in the industry, operate those systems and have for over 100 years. Since the program began in 1964, the Congress yourself, and this committee, have recognized the obligations to those workers by assuring that section 13(e), Labor Protection Provisions, in the program, have been put in place and remain in place as an essential part of the transit program.

We believe that the facts demonstrate that their inclusion and, over the years, the way they have worked, have allowed for a remarkable partnership between transit labor and the industry as it has attempted to respond to changing needs.

We have had assurances against the adverse impacts of those changes on our work force, and have been a partner with industry and local communities in offering suggestions, to adapt to new markets and other changing conditions.

The administration would propose waiving their application to certain transit grants for the first time, including the most difficult ones for us, involving contracted out arrangements, privatization projects, and specialized transit grants.

We can refer you to some statistics that, for example, in the year ending March 1990, there were 460 or so grants that were processed with our involvement. They were all handled within a month or less. The average processing time was 13 days or less. And those grants involved all types of projects—ranging from the capital to operating grants, privatization, entrepreneurial, suburban grant initiatives, paratransit, elderly and handicapped, and others.

In no case are we aware of was a grant not approved because of the inability of parties to reach agreement, where the parties made an effort to comply with the act's requirements.

So, we believe there is no justification for any proposals to allow the Department of Transportation to waive their application. Indeed, we believe the committee should again reaffirm that the Department of Labor, which is the agency charged with their administration, should have and remain in full control of that program and process.

A second area that I would emphasize is our efforts to discuss with the committee our concerns with UMTA's privatization program and policies. Increasingly, over the last 6 or 7 years, through a series of increasingly burdensome guidelines, and circulars and requirements, UMTA has sought to create a preference for the private sector and involved itself in the local decisionmaking with respect to the choice as to whether transit service in the community should be provided by either public or private operators.

We don't believe that's its proper role. We think that, yes, there is a role for the private sector to play in providing transit. Indeed, my union and TWU do represent both public and private transit workers.

Our concern is with how the choices are made and what should be the proper Federal role. We don't believe UMTA should be mandating the method and means or the manner in which local agencies make those decisions and choices. It should be left to them to make the decisions that serve the communities best.

We've also had some specific problems with UMTA's requirements to use so-called fully allocated cost accounting procedures which create a sense of false savings which have not materialized. And we have some examples of that in our testimony.

The final issue that I would make mention of as I close is our continued disagreement with administration proposals to mandate random and other drug and alcohol testing as a condition for the transit agreement program.

Over the last 20 years, our union has been the leader, along with the TWU, in negotiating through the collective bargaining process, testing program coupled with rehabilitation programs that have worked well.

Indeed, UMTA itself has admitted that it has no data, that those programs and the industry's efforts have not worked.

Any accident or death as a result of impairment on the job is, indeed, a tragedy.you is:

What should be the best solution for ensuring the continued exemplary safety record within the urban transit industry.

We believe that the system the parties have negotiated and established over the last 20 years has worked well and should remain without any new Federal mandates in that area.

Thank you very much.

[The complete prepared statement of Jim La Sala follows:]

STATEMENT OF JIM LA SALA
INTERNATIONAL PRESIDENT
AMALGAMATED TRANSIT UNION
BEFORE
THE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS
OF
THE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE
ON
REAUTHORIZING THE FEDERAL MASS TRANSPORTATION PROGRAMS

APRIL 24, 1991

Amalgamated Transit Union
5025 Wisconsin Avenue, N. W.
Washington, D. C. 20016
(202) 537-1645

Summary

ATU Positions on New 1991 Five -Year SurfaceTransit Bill

① **Passage of a new five-year highway/mass transit bill** by September, 1991.

② **Increased federal transit funding** to $6 billion per year.

③ **Raising the federal gas tax** to seven cents per gallon with funds dedicated to mass transit.

④ **Maintaining and increasing federal operating assistance** for our nation's transit systems, including its large systems over one million in population, now $802 million.

⑤ **Retention of *Section 13(c)* collective bargaining and job rights,** with guarantees that they apply to all capital, operating and specialized transit grants including demonstration and privatization projects.

⑥ **Limitations on UMTA's privatization mandate** and regulations to ensure that the choice of public and/or private transit is a local decision determined free from federal regulations or guidelines.

⑦ **Opposition to mandatory, random and other drug and alcohol testing** as a condition of federal transit grants.

⑧ **Retention of federal/local share ratios** at current 80% federal - 20% state and local levels.

⑨ **Retention of general fund support** for capital transit grants under *Section 3* discretionary program.

⑩ **Changes in federal tax law** to eliminate unfair taxation of employer-provided transit passes.

Mr. Chairman and Members of the Committee: My name is Robert A. Molofsky and I serve as Legislative Director of the Amalgamated Transit Union, AFL-CIO, CLC. It is my pleasure to appear here on behalf of International President Jim La Sala to reaffirm our commitment to a strong federal mass transit program; to comment on the Administration's transportation proposals; and of course, to outline our own policy recommendations for inclusion in a new federal highway/mass transit reauthorization bill designed to transport us into the 21st century.

The ATU represents some 160,000 public transit workers in the United States and Canada. Most of these are employed as bus drivers, maintenance and clerical personnel in the urban mass transit and over-the-road bus industries.

We and my fellow panelists, appear here today with the full support of the AFL-CIO and its recently formed Transportation Trades Department, composed of affiliated organizations representing transit, rail, airline, trucking and other transportation workers; and we also concur in the views to be expressed by the representatives of the Transport Workers Union appearing along with us today.

In support of this statement, we have attached hereto the Mass Transit and Privatization resolutions unanimously adopted at our 49th annual convention, held in Anaheim, California, September 9, 1989. Also attached are copies of the recently adopted AFL-CIO resolutions on national mass transportation policy, including those of the Transportation Trades Department within the AFL-CIO.

It is certainly beyond question that our nation's changing transportation needs require an expanded federal program with significant funding increases to not only repair and maintain existing operations, but to respond to our changing urban, suburban and rural transportation needs as well. Expanded requirements to meet the needs of the elderly and persons with disabilities under the Americans with Disabilities Act further justify these increases.

Increased federal investment in mass transportation services will also enable us to respond to our growing traffic congestion, air quality and energy conservation problems, while an expanded investment in our transportation infrastructure and service operations will strengthen the foundations for increasing industrial competitiveness and improving our urban and rural areas' responses to social and other related concerns.

For decades, our Union has worked with your Committee, the transit industry, the federal Department of Transportation and other transportation advocates at the state and federal level to ensure a sound national mass transportation program. As outlined below, we believe a well-structured national transportation policy must include an equally well defined and enforced national transportation labor policy protective of important employee rights. This is especially so in an industry as labor intensive as mass transit services.

COMMENTS ON DEPARTMENT OF TRANSPORTATION'S PROPOSALS

Inasmuch as the initial focus on new directions in mass transportation policy will center around Secretary of Transportation Samuel Skinner's proposed transportation legislation released in February, 1990, we preface our summary of important issues and policy recommendations with some brief comments regarding this approach.

Unfortunately, despite the Administration's best efforts, its proposals as applied to urban mass transportation programs fall well short of meeting the nation's compelling mass transportation needs and seek to perpetuate the failed policies of the 80's.

By opposing any real increases in the level of federal capital funding; seeking steep reductions in federal transit operating assistance subsidies, especially for cities over 1 million in population; reducing general revenue funding for transit projects; cutting the federal/local share ratios; and by maintaining so-called competitive bid or privatization requirements in such a manner as to remove local decision making regarding the selection of public and/or private providers, the proposal fails to move the transit program forward in the proper direction.

In the privatization area particularly, we believe now is the time for this Committee to give careful consideration to UMTA's policies and programs which, since 1984 have imposed increasingly harsh burdens on federal transit grant recipients with limited benefits and often adverse results. As discussed below, we believe the Committee should assure federal neutrality over the grant recipient's choices of public/private providers based upon locally established plans programs and cost analyses, implemented without UMTA's interference or control.

Especially disturbing is the Administration's reliance on increased state and local governments matching contributions to the diminished federal resources at a time when these governments are already suffering under strained budgets, taxing constraints and limited resources. The ATU, of course, supports maintaining the present federal/state local ratios for mass transit programs and opposes any program restructuring which would favor highway projects over transit.

In the area of transit employee labor protections, a primary focus of this Union for over 26 years, we recognize that the

Administration's proposal seeks no change in the substance of the Section 13(c) employee protection provisions. However, through a combination of unjustified program changes, the Department seeks to reserve for itself the right to waive the application of these vital protections to a wide-range of specialized transit grants funded under the Act, including demonstration and privatization projects, and those serving the elderly and disabled.

We remain unyielding in our request that these vital employee protection arrangements be retained and made applicable to all parts of the federal transit grant program, including transit projects funded with funds released under the federal highway program. This has been the Committees' and Congress' position for over 25 years and we find no justification to modify their application today. Indeed, their retention and uniform application have served as the basis for an extraordinary labor/industry partnership in meeting our country's changing transportation needs over three decades. The legislative history to the recently enacted Americans with Disabilities Act of 1990, specifically confirms Congress' intent that these labor protections apply to the expanded specialized services under the ADA. (See 136 Con. Rec. S. 9692, (daily ed. July 13, 1990); 136 Con. Rec. H. 4625 (daily ed. July 12, 1990)

Similarly, we find no justification nor support for proposals to weaken existing Davis-Bacon and "Buy America" requirements.

We also continue to be in serious disagreement with the Administration's proposals for new federal legislation mandating both random and other drug and alcohol testing within the urban mass transit industry. We share the desire to promote the safety of the riding public which should be of paramount concern to all involved in the transportation industry. Indeed, we believe our own commitment to safety is second to none, and we are proud of the leadership ATU locals have shown in negotiating testing and treatment programs which have effectively addressed substance abuse problems in the workplace.

For over twenty years, this Union and its locals have supported and negotiated programs designed to keep the work place free of drug or alcohol impaired workers, who in our review should be removed from service until they can be properly treated and rehabilitated.

Long before federal efforts began to impose mandatory testing requirements, the ATU pioneered in the development of negotiated "employee assistance programs" (EAP's) which stress rehabilitation, education, and re-employment as effective alternatives to unilateral employer testing and termination. These programs have served to establish and maintain a highly trained, safe and disciplined work force.

The Urban Mass Transportation Administrations's own 1987 "Safety Review Task Force," in calling urban transit one of the safest transportation modes, cited the industry's exemplary record of a 15 percent decline in accidents and no increase in passenger fatalities over the five-year period under review. Indeed, in issuing their original drug testing regulations UMTA was unable to cite any specific evidence to support the existence of a drug abuse problem in the urban transit industries warranting a new national effort. In fact, UMTA noted that "[no] data exists to prove the presence of a drug or alcohol abuse problem among mass transit personnel" (53 Fed. Reg. 25, 913).

Therefore, in light of the industry's long standing commitment to safety, we fail to understand the necessity to legislate a massive new federal program of extraordinary expense to the parties affected. To justify such an intrusion into the privacy of the hundreds of thousands of employees leading drug-free lives who would be adversely effected by this legislation, at least some factual showing of a serious substance abuse problem beyond present voluntary efforts by the parties to control must be demonstrated.

To assist in the Committee's deliberations, we now provide a summary discussion of those major policy recommendations and provisions the ATU believes must be considered as the Congress develops a reinvigorated national transportation program to effectively respond to our new transportation needs.

MAJOR ATU ISSUES AND RECOMMENDATIONS

As amplified below, the ATU places the highest priority on the following eight issues for evaluation as part of a Mass Transit Reauthorization bill.

1. **Passage of a new five-year highway/mass transportation reauthorization bill by September, 1991, modeled substantially after the expiring Surface Transportation and Assistance Act of 1987.**

2. **Increased federal funding approaching $6 billion per year to support our nation's transit systems serving our urban, suburban and rural areas, with funding for both capital and operating assistance, derived from both general revenue and gas tax revenues.**

   Recent studies have indicated our presently unmet national mass transportation needs may require as much as $11 billion annually to make up for prior short falls and to meet future needs.

   Funding for these expanded programs should be derived from general revenues as well as significant increases in the transit dedicated portion of the federal motor fuels tax and available for both operating and capital expenses.

With respect to the Administrations' so-called "flexibility program," the ATU would support provisions allowing highway funds to be transferred for eligible transit projects subject to those conditions regularly applied to Section 3 and 9 transit grants. The ATU will, however, oppose making transit funding available for highway projects without appropriate transit funding levels guaranteed.

3. **Raising the federal gas tax up to seven cents per gallon with revenues dedicated to mass transit programs.**

   We support proposals to increase the existing federal highway user gas tax earmarked for public transportation within the Highway Trust Fund account under condition that such revenue is used to supplement and not substitute for the general revenue funding portions of the federal transportation program.

4. **Increasing federal operating assistance for all sizes of transit systems to ensure adequate maintenance and effective operation of the transit capital investment.**

5. **Retention and uniform application to all transit grants of the Section 13(c) transit employee labor protections provisions, providing important collective bargaining and job right guarantees to transit industry workers to prevent adverse employee impacts under the federal transit grant program.**

   The retention and application of the rights guaranteed under Section 13(c) of the UMTA Act, as amended, has, since 1964, served as a key component and condition of ATU support for the federal transit grant program. The history of Section 13(c) employee protection program demonstrates that transit labor working in partnership with our nation's transit providers can respond to our changing transportation needs in a manner which provides necessary protections to those workers while servicing the riding publics' demand for high quality, safe, efficient and responsive transportation. It is absolutely essential, therefore, that any new federal legislation ensure the continuation of these labor protections and their application to the entire transit grant program.

   We have submitted to the Committee several proposals to ensure continued Section 13(c) coverage for the demonstration, privatization and other specialized transit service grants including those providing service for elderly persons and individuals with disabilities. We note, at this time, that several provisions in the Administration's proposals, including Sections 438 and 428, raise some questions regarding the continued applicability of these protections for those grant projects. As stated earlier, these protections have uniformly applied to such service programs and no reasoned justification has been presented for modifying their application.

In addition, we could not accept any so-called "flexibility proposals," including the urban and rural programs provisions and/or metropolitan rural incentive bonus programs outlined in the Administration's bill, without assurances that these labor protections will apply to mass transportation projects funded under these arrangements. The Committee is referred to Section 142 of the current Federal Highway legislation which provides such coverage for transportation projects funded under the Highway program. (Section 23 U.S.C. 142.2)

Finally, we again note, that while the Section 13(c) labor protection program has at times been subject to criticism by the Administration and others as a burdensome provision which leads to inefficiencies in the provision of transit services, no neutral body which has examined such issues has found these vital labor employee protections create unreasonable or costly burdens on transit authorities seeking assistance.

Indeed, over the 15 month period ending March, 1990, the ATU was involved in over 458 transit grant applications involving the processing of Section 13(c) protective arrangements. Over 86 percent (397) of those cases were processed within one month of our receipt of the grant applications. These projects involved both capital and operating assistance, para-transit, special transit technology, privatization components, alternative fuel arrangements, entrepreneurial and suburban mobility initiatives. The ATU's average processing time between referral by DOL and request for certification was only 13 days.

Clearly, this record demonstrates our commitment to achieving a fair measure of equitable protection for our members while ensuring a timely distribution of much needed grant assistance.

We do not believe that it is wise or necessary to modify in any way the current statutory framework which has allowed this program to respond to changing transportation needs while protecting the collective bargaining and job rights of the industry's employees. Proposals to limit the scope of negotiations or the parties' choice of response to privatization issues raised by specific grants are not needed nor justified. When Congress first initiated these protections it emphasized that the arrangements would be the product of negotiations among the affected parties.

6. **Limitations on UMTA's privatization mandates and regulations to ensure that the choice of public and/or private transit providers is a local decision determined free from federal regulations, guidelines, mandates or other controls.**

Over the last six years, despite repeated Congressional statements directing UMTA to remain neutral over the choice of public/private transit providers, the Agency through its interpretations of Sections 3(e), 8(c), 8(e), and 9(f) of the Act has established a preference for involving the private sector in public transit services. (See UMTA privatization circular C. 7005, 1985)

During this period, the Agency has imposed increasingly burdensome grant requirements to assure maximum participation in the federal grant program by private service providers. Through the appeals made under its guidelines and circulars, it has also exercised direct reviewing authority over local decision making with regard to the selection of public/private providers.

In addition, the privatization guidelines have operated to skew the selection process in favor of private bidders by requiring transit grant applicants to use the discredited "fully allocated cost methodology" when analyzing the costs of using public and/or private transit services. (See "The Emperor's New Clothes: Transit Privatization and Public Policy", (1989) by the Economic Policy Institute; recent correspondence by KPMG Peat Marwick similarly criticizing the fully allocated cost requirements.)

We have long opposed these policies and believe such decisions should be made at the state and local level with private sector participation in public transportation a community based decision to be employed only when it can be complimentary to the existing public transit network and only then where there can be a partnership of public/private grant providers protective of employee interests and the riding public.

The existing policies, however, have clearly been counter-productive to effective public transit operations.

This view has been supported by the September, 1989, EPI study. Among their findings, the EPI researchers found, that using federal transportation funds to compel communities to "privatize" their mass transit systems, while producing profits for private contractors caused a deterioration of urban transit services. Indeed, although the stated goals of these policies are to reduce the public cost of providing transit services, these experts found no evidence that the policy has actually saved money, either for the communities affected or the federal government. In fact, they found it probably increased the cost of mass transit by implementing a less efficient use of public resources. A summary of this report is attached.

Recent experiences in Miami, Florida, New Orleans, and Denver have further substantiated these findings. In Miami and New Orleans, for example, the regional transit authorities were compelled to cancel their privatization experiments after the first of a three-year program because of substantial cost increases, ridership losses, revenue declines, service and maintenance problems and high employee turn-over.

In a correspondence describing the substantial losses incurred by Denver's Regional Transportation System after one-year of its three year privatization experiment, the national accounting firm KPMG Peat Marwick criticized the use of the fully allocated cost analysis for decision making stating:

> "Incremental cost analysis yield hard "out-of-pocket" estimates of savings that are useful in real world decision making. Fully allocated cost analysis is based on theoretical, longer-term cost estimates that assume that management has complete flexibility in its staffing decisions and capital investment in response to the quantity of service provided. In fact such flexibility does not exist.
>
> The letter further stated that:
>
> "Based on the considerations raised above it is our conclusion that management decisions regarding the real "out-of-pocket" savings to be derived from privatization should be based on an incremental analysis. Incremental cost analysis address measurable savings achieved within the short-term (3 - 5 years) context of the current privatization contracts. Fully allocated cost comparisons infer that long term theoretical savings in

> administrative costs actually occur in the short term, an outcome that has not been demonstrated. (Emphasis added, full text attached.)

In light of these experiences with UMTA's privatization program and the pitfalls of the required fully allocated cost procedures, we believe the Committee should seek the elimination of these requirements and secure a modification of UMTA privatization procedures by specifically affirming UMTA's neutrality as to the nature of the local transit planning or decision making processes, the analytical accounting methods used for evaluating public/private transit services choices, and the ultimate decisions made with respect to public or private providers. Only a vigorous restatement of this neutrality principle incorporated in a policy directive to the Department of Transportation will be adequate to reaffirm a program commitment to community based decision making on this issue.

We are prepared to discuss our detailed suggestions for modifying UMTA's existing privatization/competitive policies with the Committee.

7. **Opposition to mandatory random and other drug and alcohol testing as a condition of the federal transit grant program.**

   Over 80 percent of the employers in the urban mass transit industry are now engaged in testing transit workers through negotiated programs achieved through the collective bargaining process and/or company established plans. Indeed, the Committee has not received nor has UMTA presented any evidence indicating a need to legislate additional testing at this time. UMTA's own safety review task force found the industry to be remarkably safe with a declining rate of accidents and fatalities at a time when the perception of drug use in society has been on the increase. These combined programs have ensured that the transit industry has attained the highest safety standard of any transportation mode in the United States. We see no need for federal mandates in this area.

   Imposition of random or other mandatory testing would significantly interfere with important employee privacy guarantees protected under the U. S. Constitution and separately under state constitutions and statutes. It would also result in costly and unnecessary testing providing little, if any, real benefit. Also, imposing these testing requirements as a Federal grant conditions may affect certain states eligibility for Federal funds, i.e. Alaska, California, Connecticut, Florida, Hawaii and Massachusetts, and other states based on their constitutional privacy protection guarantees. We are, of course, prepared to discuss this complicated issue in detail with the Committee.

8. **Revisions to the federal tax code designed to eliminate the taxation of employer subsidized transit passes and other federal laws which act as disincentives to transit use.**

   Current rules require such passes to be taxed as ordinary income to the extent their value exceeds $15. Yet free parking often exceeding $200-400 per month is not subject to such taxing. This represents an inequitable and unwise disincentive to transit use which should be changed. We support pending proposals to modify the current taxation rules in this area.

In closing, let me again express our appreciation for the opportunity to present our views. We look forward to working with this Committee and the Congress as it finalizes its reauthorization proposals. We are, of course, prepared to respond to any questions you may have and provide additional information you may require.

GENERAL RESOLUTIONS SUBMITTED TO THE 49th CONVENTION OF THE AMALGAMATED TRANIST UNION ANAHEIM, CALIFORNIA - SEPTEMBER 18-22, 1989

RESOLUTION A

Submitted by Amalgamated Transit Union

Mass Transit Policy

WHEREAS, a strong, dynamic and well funded federal mass transportation program, operated in partnership with state and local governments is essential to advancing our country's economic growth and prosperity, improving its air quality, and providing mobility for all citizens; and

WHEREAS, effective mass transportation services enables us as a nation to respond to our growing traffic congestion and energy conservation problems, while expanded investment in our transportation infrastructure provides the underpinning for increasing industrial competitiveness and improving our urban and rural areas responses to social and other related concerns; and

WHEREAS, to achieve these national goals we must reverse the radical and destructive mass transportation policies of the Reagan Administration implemented over the last eight years which have resulted in significant reductions exceeding 50% in federal transit funding; and

WHEREAS, the U.S. Congress and the Federal Department of Transportation are seeking to define a new national transportation policy for the 1990's and beyond through a consensus among a broad coalition of both business and labor leaders, legislators and public officials, environmentalists and other representatives of society who benefit from improved transportation; and

WHEREAS, this consensus must be based on recognizing the mutual needs of all who provide as well as benefit from transportation services, and thereby reject the policies pursued by the Reagan Administration designed to undermine collective bargaining job rights and employee protection guarantees to transit workers; and

WHEREAS, we are opposed to a federal transit policy advocating an increased competitive environment and the periodic rebidding of transit services, which has the effect of only encouraging the transfer of jobs and services from union to nonunion, low waged rated companies, thereby undercutting the living standards and economic security of thousands of workers throughout the industry; and

WHEREAS, a newly defined federal mass transportation policy should encompass legislation ending long standing efforts within the U.S. Transportation and Labor Departments to weaken the collective bargaining and negotiation rights of workers in the transit industry, especially in such areas as job preservation guarantees, first opportunity of employment in new jobs and restrictions upon subcontracting of bargaining unit work; and

WHEREAS, these and other rights guaranteed to transit industry workers for over twenty five years under Section 13(C) of the original Urban Mass Transportation Act must remain at the heart of the consensus among labor and industry representatives and other organizations as they fashion their new transportation policies; and

WHEREAS, the basis for strengthening the existing federal urban mass transportation program should remain the structure recently reaffirmed under Title III of the Surface Transportation and Uniform Relocation Assistance Act of 1987 (H.R. 2), known as the Federal Mass Transportation Act of 1987; and

WHEREAS, a sound national transportation policy should have as its goal to increase transit ridership by at least 50% in the 1990's and to keep fares at reasonable levels so as to provide a safe efficient reliable means of mobility for the millions of Americans who are dependent upon mass transportation; and

WHEREAS, the Congress in reauthorizing the federal program in 1987 reaffirmed the allocation of one-cent of the federal motor fuel tax for mass transportation services, but held total authorized program levels through fiscal year 1990 to approximately $4 billion when annual industry needs actually exceed $6 billion annually;

THEREFORE BE IT RESOLVED, that the ATU participate in designing a strengthened National Transportation policy for the 1990's and support Federal legislation designed to increase funding for both operating and capital assistance in legislation essentially comparable to the 1987 Federal Mass Transportation Act, including at least $6 billion dollars annually in federal subsidies; and

BE IT FURTHER RESOLVED, that the ATU express support for proposals to increase existing Federal highway user fees, i.e., federal gasoline taxes earmarked for public transportation and placed in the Mass Transportation Account of the Highway Trust Fund, with the condition that such revenues should be used to supplement and not substitute for the general revenue funding portions of the federal transportation program; and

FURTHER BE IT RESOLVED, that the ATU inform Congress that any program of expanded federal aid for mass transit must be premised on the continuation of collective bargaining rights and the preservation of a free collective bargaining process on all mandatory subjects of bargaining, based on the right to strike or the use of arbitration to settle unresolved disputes; and

FURTHER BE IT RESOLVED, that the ATU undertake appropriate legislative and political efforts to insure that the policies and procedures for administration of the Section 13(c) employee protection provisions under the Federal Urban Mass Transportation Act in effect prior to the unwarranted changes either implemented or proposed by the Reagan and Bush Administrations be reaffirmed in the interest of affected employees; and that Congress reject and set aside any proposals for adverse changes in Section 13(c) policies and procedures; and

FURTHER BE IT RESOLVED, that the ATU inform Congress that the labor protection provisions of the Urban Mass Transportation Act should not be transferred to the Department of Transportation, but must remain the exclusive responsibility of the Department of Labor; and

FURTHER BE IT RESOLVED, that the ATU undertake efforts to insure that the Congress maintain provisions guaranteeing that labor standards including the payment of prevailing wages to all workers engaged in the construction or operation of mass transportation facilities involving federal financial assistance, and that such standards also guarantee to rail and transit workers the first opportunities of employment arising from federal transit funding; and

FINALLY, BE IT RESOLVED, that the ATU insure that new authorizing legislation include provisions to recognize that decisions about private sector participation in transportation including decisions to employ competitive bidding, privatization or subcontracting with private operators, if warranted, should be made at the state and/or local level free from any federally imposed standards, guidelines, policies or grant conditions; and that private sector involvement in public transportation remain a local decision to be employed only when such service is complementary to the existing public transit network and only where there can be a partnership of public and private providers protective of employee interests and the riding public.

RESOLUTION B

Submitted by Amalgamated Transit Union

Privatization of Public Mass Transportation Services

WHEREAS, the governments of the United States and Canada, reflecting a worldwide conservative anti-labor trend are instituting policies and programs to "privatize" essential public services, including public mass transit operations; and

WHEREAS, these anti-labor privatization policies and competitive service solutions place in jeopardy thousands of ATU members' jobs and livelihood; and

WHEREAS, in Canada, certain segments of the transit industry are pressuring city governments and transit systems to increase the level of privatization of public mass transportation services; and

WHEREAS, The U.S. Department of Transportation through a series of Urban Mass Transportation Administration policies and guidelines is compelling transit grant recipients to competitively bid or privatize new and/or existing transit services as a condition for the receipt of federal transit aid; and

WHEREAS, the U.S. Department of Transportation through its privatization initiatives is intruding into the local transit planning and decision making process, as to the choice of public or private providers of mass transit services, thereby violating the long standing federal policy of neutrality as to the choice of service providers; and

WHEREAS, such privatization initiatives will only lead to the dismantling and fragmentation of regional transit services, which are better suited to providing high quality, safe and effective service while meeting the public's broad based community transit needs; and

WHEREAS, the U.S. Department of Transportation through its privatization program is advocating the use of private operators paying cut-rate wages and benefits under the misguided belief that such operators can produce long term savings while maintaining reasonable service; and

WHEREAS, the alleged cost savings from privatization are overstated, and often non-existent when the full cost of service is taken into account, including the continuation of high quality maintenance, safety and service standards, contract administration and other overhead costs; and

WHEREAS, using private firms to deliver public transit services often results in higher cost and reduced quality and efficiency of services, accompanied by an unresponsiveness to public service needs and inadequate public control mechanisms and;

WHEREAS, historically the private sector has failed in its mission to provide long term quality service;

THEREFORE BE IT RESOLVED, that the ATU oppose Congressional and U.S. Department of Transportation efforts to condition, delay or prioritize transit grants to applicants based on the extent or amount of service provided by private transit operators; and

FURTHER BE IT RESOLVED, that the ATU oppose Canadian transit industry and government policies favoring increased privatization of public mass transit services; and

FURTHER BE IT RESOLVED, that the ATU support the negotiation of collective bargaining provisions limiting the right of transit agencies to contract work to private non-union operators, in a manner which causes job losses and otherwise interferes with existing collective bargaining rights and obligations; and

FURTHER BE IT RESOLVED, that ATU locals work with their local transit planning and decision makers to ensure that decisions involving the integration of private operators in the provision of public transit services are designed to meet local transit needs in a manner which protects our members' jobs and collective bargaining rights; and

FURTHER BE IT RESOLVED, that the ATU distribute the recently completed EPI privatization study entitled "The Emperor's New Clothes: Transit Privatization and Public Policy" to all local unions with any additional information necessary for use in combatting federal and state legislation or local policy initiatives to privatize, or to competitively bid public transit services; and

FURTHER BE IT RESOLVED, that the ATU will launch a national campaign to work with its local unions, state and regional conference boards to develop the necessary information, tactics, publicity campaigns, lobbying, educational/conference/workshop activities, coalitions, and legislation to use in opposition to privatization and/or competitive bidding proposals involving public transit services.

AFL-CIO

RESOLUTIONS

Numbers 1 to 222

Eighteenth Convention

1989

Resolution No. 18
Transportation
(E.C. Report, Pages 186-191)

The nation's transportation system is an inter-related web essential to the health of the economy and the nation's security. Each element of the national system—subways, urban and intercity buses, airplanes, trucks, railroads, maritime—contributes to the effectiveness of the whole, fulfilling a broad national purpose. Fostering and maintaining this system depends both upon the private and public sectors since no single mode of transport or sector of society can do the job alone. Nor should it.

Transportation is not a service which can be left to private enterprise alone and unchecked market forces. Government has a vital role in funding as well as establishing and enforcing rules and standards to assure there is enough and the right kind of transport, that workers are protected, that there is wide access to transportation services, and that the public interest is protected through reasonable overall regulation and control. Considerations of national security, clean air, safety and the welfare of consumers—to name a few—are considerations which cannot be left to chance, or solely to the private sector and the marketplace.

The AFL-CIO supports the development of a national transportation policy. The development of such new national policy should involve worker representatives in the industry so that it benefits the lives and interest of all American consumers and workers and strengthens America's position in world trade.

Maritime

For more than a decade, the maritime industry suffered greatly from willful government inaction.

The AFL-CIO believes that the time has come to revitalize all segments of the maritime industry. Positive action must be undertaken to insure that the nation's economic and security interests are not jeopardized further through an inadequate merchant fleet and shipbuilding capability. The deficiencies in strategic sealift must be corrected and steps taken to implement a policy of industry renewal. The Congress must advance legislation which will enhance existing support programs or lead to the development of new initiatives that will permit the U.S. fleet to compete in the decade ahead. The following measures are basic for the broadest possible industry recovery:

- Federal agencies responsible for the overseas movement of government cargo must maximize the use of U.S.-flag vessels at rates that fully compensate for services rendered.

- To prevent further encroachment by foreign shipping interests the Administration representatives to the Uruguay round of GATT negotiations should reject any proposals to include maritime services in any final agreement on services.
- The U.S. should encourage development of bilateral maritime agreements that would insure adequate levels of commercial cargoes for American-flag carriers. Endorsement of the existing international cargo sharing arrangement contained within the United Nations Conference on Trade and Development Code of Conduct for Liner Conferences would provide immediate relief to American-flag operators.
- A cabinet level maritime liaison charged with responsibility for monitoring compliance by various government agencies of a Presidential sealift policy should be created. This office would coordinate inter-agency activity in furtherance of the goal of insuring maintenance of a domestic sealift capability. Vessel construction programs that will permit maintenance of a shipyard mobility base supported by an infrastructure of marine industrial operations should be enacted. Vessels constructed under any "build and charter" program should be made available for operation at rates that would promote active participation by American-flag carriers.
- The Administration should rescind regulations which have allowed foreign-flag cruise ships to undercut domestic cruise fleets. Where necessary, legislation should be developed to ensure that foreign-flag carriers that rely upon the American tourist trade for their survival are subject to the same requirements as American cruise vessels.
- We advocate funding programs for the construction and operation of American-flag vessels in the nation's foreign commerce.
- A "Buy American" program for U.S. financial aid to foreign nations that would limit abuses of the cash transfer program should be developed. It also would insure that American producers of manufactured goods and agricultural products benefit from our nation's generosity. The program would also enhance domestic flag shipping operations.
- Reactivation of the Title XI ship loan guarantee program is necessary for ship operators to secure financial backing necessary for the construction of new tonnage in domestic shipyards.
- Government recognition of the important economic and military sealift benefits derived from a U.S.-flag fleet engaged exclusively in domestic shipping operations must be underscored. To enhance maintenance of this fleet, the Administration must broaden its support for Jones Act operations beyond existing services. In this regard, we call for extension of domestic cabotage requirements to all marine operations performed within the nation's 200-mile Exclusive Economic Zone.
- The Federal Maritime Commission should be encouraged to utilize its strengthened investigatory authority to examine complaints of unfair shipping practices by foreign nations. The FMC also should be assured cooperation by the Administration that it will be permitted to take a positive action against nations that maintain barriers to U.S.-flag operations.
- For over a decade the nation has benefited directly from the energy

resources of Alaska's North Slope coastal plain. The current Alaska oil export restrictions expire in September 1990 and timely action is essential to insure these energy resources are reserved for domestic purposes.

No single solution exists that will restore the maritime industry's ability to fulfill its legislatively mandated dual role of maintaining a commercial presence worldwide while insuring the availability of strategic sealift. Timely implementation of these recommendations, however, will spur the investment necessary for a comprehensive industry revival.

Trucking

The continuing deregulation of the interstate trucking industry has led to the following adverse consequences:

1. High level of bankruptcies—over 100 large (class 1 & 2 ICC) regulated motor carriers of general freight have terminated operations since July 1, 1980—the date of enactment of the Motor Carrier Act of 1980.

2. High unemployment—at least 130,000 trucking industry workers have lost their jobs since July 1, 1980.

3. Decline in safety on the highways for truck drivers and the motoring public.

4. Large shippers continue to profit from their exercise of market power at the expense of motor carriers, employees and the travelling public—with no evidence that the lower trucking rates enjoyed by large shippers are passed onto the public in the form of lower prices to consumers.

We firmly believe that the adverse impact of trucking deregulation will accelerate unless Congress and the Administration take proper and reasonable steps to ease the adjustment process.

We support strict enforcement of all safety related laws and regulations by federal and state governments with meaningful and realistic penalties to deter violations. Staffing and funding for truck safety enforcement must be increased at both the federal and state levels. All motor carriers must receive "satisfactory" safety ratings from the U.S. Department of Transportation in order to haul goods in interstate commerce. Shippers must bear responsibility for the acts of motor carriers they utilize to transport their products.

Employees who have lost their jobs because of trucking deregulation should be able to receive adjustment assistance or labor protection provisions administered by the U.S. Department of Labor.

In addition, all employees, including owner-operators on lease to I.C.C. regulated motor carriers, must have the right to organize and bargain collectively. The so-called independent contractor exemption to the nation's labor laws must be ended.

In the past, public policy has been made without adequate and reliable information. The Congress should require that the Interstate Commerce Commission mandate that all interstate motor carriers file annual financial and operating reports. Moreover, the U.S. Department of Transportation should be required to develop and maintain comprehensive accident and safety statistics.

We urge that the Hazardous National Transportation Act be strengthened to better protect transportation workers as well as the general public. We believe too much emphasis is being placed on the role of the truck driver in the quest for truck safety and not enough attention is being focused on the safety responsibilities of the motor carriers and the shippers, particularly the large shippers.

In light of the devastating effects of the deregulation of interstate transportation, we oppose efforts to extend deregulation to the intrastate level. There should be a full-scale reexamination of federal labor policy for all transportation industry employees. Finally, truck drivers and related personnel working for airlines should not be covered under the Railway Labor Act.

Railroads

The U.S. needs a balanced transportation network which includes a fully-functioning rail system for the convenient and economical movement of goods and people. Industry deregulation and budget cuts have eliminated many jobs in the rail industry and are likely to cause more job and income losses in the future.

To avoid regulations, which already have been cut down excessively, many short lines have been spun off to small, often family-run, operators. Because these moves dismantle rail networks, render service less reliable, push down wages, and undermine fundamentally important regulations, the AFL-CIO calls for legislation to control and limit such spinoffs.

The AFL-CIO supports the President's Commission on railroad retirement. We are pleased that this question is getting the attention it deserves and we look forward to recommendations of the Commission to insure the continued existence of the railroad retirement system.

The AFL-CIO calls on Congress for: continued governmental support of AMTRAK to assure passengers continued rail service; support of AMTRAK workers and its unions in their determination to achieve pay equity with other rail workers; and examination of the counterproductive tactics of management which are detrimental to this important service.

Mass Transit

The AFL-CIO supports a strengthened National Transportation policy for the 1990s and supports federal legislation designed to increase mass transit funding for both operating and capital assistance.

We call for legislation comparable to the 1987 Mass Transportation Act including at least $6 billion annually to assist local communities and transit authorities in the purchase and upgrade of equipment and facilities. Special emphasis should be placed on "Buy American" programs which would help reverse the decade-long decline of our public transportation equipment manufacturing industry.

Any program of expanded federal aid for mass transit must be premised on the continuation of collective bargaining rights and the preservation of a free collective bargaining process on all mandatory subjects of bargaining, based on the right to strike or use of arbitration to settle unresolved disputes.

Appropriate legislative and political efforts ought to insure that the policies and procedures for administration of the Section 13(c) employee protection provisions under the Federal Urban Mass Transportation Act in effect prior to the unwarranted changes either implemented or proposed by the Reagan and Bush Administrations be reaffirmed in the interest of affected employees; and that Congress reject and set aside any proposals for adverse changes in Section 13(c) policies and procedures.

The labor protection provisions of the Urban Mass Transportation Act should not be transferred to the Department of Transportation, but must remain the exclusive responsibility of the Department of Labor.

The Congress should maintain provisions guaranteeing that labor standards include the payment of prevailing wages to all workers engaged in the construction or operation of mass transportation facilities involving federal financial assistance, and that such standards also guarantee to rail and transit workers the first opportunities of employment arising from federal transit funding.

Authorized legislation should include provisions to recognize that decisions about the terms and conditions for private sector participation in transportation, including decisions to employ competitive bidding, privatization or subcontracting with private operators, if warranted, should be made at the state and/or local level free from any federally imposed standards, guidelines, policies or grant conditions; and that private sector involvement in public transportation remain a local decision to be employed only when such service is complementary to the existing public transit network and only where there can be a partnership of public and private providers protective of employee interests and the riding public.

The AFL-CIO opposes efforts to condition, delay, or prioritize transit grants to applicants based on the extent or amount of service provided by private transit operators.

Airlines

The AFL-CIO believes that Congress should investigate the repeated misuse of the bankruptcy laws, such as that occurring in the Eastern proceeding. The AFL-CIO supports legislation that would enable creditors, including unions and employees, to go after assets that were previously transferred by a debtor, such as Eastern, to a parent company and related subsidiaries.

Concerns about safety and the jobs of American workers were heightened when the Department of Transportation (DOT) issued a Final Rule, effective December 1988, that would allow U.S. airlines to contract out airline aircraft maintenance, repair and overhaul work to foreign repair stations. The DOT's Federal Aviation Administration is currently understaffed and has neither the manpower nor resources to monitor maintenance performed abroad. The AFL-CIO supports legislation to reverse the DOT's action.

The Administration has continued to forestall attempts to impose labor protective provisions (LPPs) to moderate hardships inflicted upon worke as a result of mergers. Although the House and Senate approved LPP legislation in the 100th Congress, the effort to send such legislation to the White House failed in 1988 when the LPP provisions were dropped from a Department of Transportation's Appropriations Conference Report. Now, authority to consider imposition of LPPs in airline merger cases has been transferred from the DOT to the Justice Department. The AFL-CIO continues to support imposition of LPPs in airline merger cases either by the Justice Department or, if necessary, through legislation.

Referred to the Committee on Resolutions.

AFL-CIO

TRANSPORTATION TRADES DEPARTMENT

Resolutuion No. 15
Mass Transit

WHEREAS, An increased Federal commitment to support and expand our nation's mass transportation system is necessary to respond to our country's developing mass transportation needs; be it

RESOLVED, That the Transportation Trades Department, AFL-CIO, initiate and support legislative efforts to increase Federal financial commitment with a dedicated tax to our nation's mass transit programs, insure the continuation of employee protective guarantees in such legislation, and seek limitations on present Federal policies fostering the privatization of public mass transit services.

October 3, 1990

Economic Policy Institute

1730 RHODE ISLAND AVENUE, NW • SUITE 812 • WASHINGTON, DC 20036 • 202/775-8810

HOLD FOR RELEASE

CONTACT: Roger Hickey
(202) 775-8810
(301) 229-0461

Study Finds Reagan/Bush Policy Forcing Privatization of Transit Systems Results in Deterioration of Service and Often Higher Costs

Washington, DC -- A new study released today by the Economic Policy Institute finds that the Reagan and Bush Administrations' policy of using federal transportation funds to force communities to "privatize" their mass transit systems, while producing profits for private contractors, is causing the deterioration of urban transportation services and hindering the freedom of choice of local public officials in their efforts to reduce traffic congestion, save energy, reduce pollution, and promote economic development. Although the stated goal of this new transit "privatization" policy is to reduce public costs of providing transit services, the study finds no evidence that the Reagan-Bush privatization policy has actually saved money either for the communities affected or for the federal government. In fact, the authors find that it is probably *increasing* the costs of mass transit by instituting a less efficient use of public resources.

Since 1984 the official transportation policy of both the Reagan and Bush Administrations has sought to encourage "privatization" of local public transit systems. Communities seeking federal funding for mass transit are now required to demonstrate that they are actively encouraging private firms to take over part or all of the provision of transportation services.

The report, ***The Emperor's New Clothes: Transit Privatization and Public Policy***, released today by the Economic Policy Institute, finds that for the past five years, the funding decisions of the Department of Transportation's Urban Mass Transportation Administration (UMTA) have been guided by an ideological belief in the virtues of privatization which is "so strong that UMTA opts for private contracting even when it is *prima facie* more expensive than public provision." The authors, transportation policy experts Elliott Sclar, K.H. Schaeffer and Robert Brandwein, conclude

[more]

that "federally ordered privatization, initiated in Washington and forced on local and state governments is not in the best interests of either the nation's commuters or its taxpayers."

The three authors of the EPI study have all studied and published widely about transportation systems and transportation policy. Elliott D. Sclar is an economist who is currently Professor of Urban Planning at Columbia University. K.H. Schaeffer is a consultant specializing in transportation and cost problems and was formerly on the staff of the U.S. Transportation Systems Center, the Mitre Corporation, and SRI International. Robert Brandwein is an economist with Policy and Management Associates of Boston and has been a consultant to several urban transportation systems, including the Chicago and Boston transportation authorities.

Their study quotes from UMTA policy documents to show that the Reagan and Bush Administrations, in adopting the goal of privatization in transportation policy, have attempted a far reaching policy change: they are attempting to use the power of the federal purse to force the balance of direct transport service provision away from local public agencies and towards private, for-profit operators. The study examines history to show that the new policy represents a fundamental change from the pragmatic approach which, since the earliest days of the Republic, has guided the choice between public and private transportation systems. They conclude that UMTA's privatization policy has undermined the historic goal of ensuring a healthy and functioning transportation infrastructure and has replaced it with the goal of reducing the public funds devoted to public transit.

Sclar, Schaeffer, and Brandwein also question the fundamental premise on which the Reagan-Bush transit policy is based: the claim that privatization saves money. While advocates of privatization base this assertion on the textbook model of a large number of small private firms competing to offer better service at a lower price, the authors of the EPI study show that, in the real world, most of the successful private operators are large, multi-product firms, not smaller local competitors.

The study demonstrates that once a local or state transportation authority has signed a contract with one of these private firms the

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relationship becomes one of contractual monopoly rather than intense competition. It describes several instances of contractors failing to live up to the terms of their contract and using political influence to renew contracts without competition and to reinforce their position with the contracting authority.

When contracting is examined against these real world dynamics, the authors conclude, the market for contracted services operates less like textbook competition and more like textbook monopoly or oligopoly, in which prices are driven as much by relative bargaining power and political considerations as by underlying production cost. Contrary to the claim that privatization will lessen the political factor in operating urban transportation systems, they cite developing experience which suggests the opposite is true.

The study warns that if a public authority is forced to produce cost reductions through contracting to private companies, the goal is likely to be achieved through a reduction of public services or the deterioration of the capital equipment available for future service. The authors point out that when a public authority operates a public transit system, its managers and workers feel a direct pressure to provide good service from their customers who are the riders and citizens, but when a private firm operates a route on a transportation system, its customers are not the riders but the public authority with which they have signed the contract and the politicians who can shape it. The study finds that responsiveness to public complaints or making investments aimed at increasing ridership make no sense to a private firm dedicated to reducing the cost of minimal compliance with the contract.

Sclar, Schaeffer, and Brandwein note that virtually all advocates of privatization envision cost savings and efficiency improvements to be gained by reducing labor costs. "If contractors using low paid (non-union) workers can provide service on routes now being staffed by better paid (often unionized) public employees, won't it be more cost-effective for the entire system?" the privatization advocates argue. The authors of the EPI study take up this question and find that the workers provided by private contractors are indeed usually paid less than public employees. As a result, they find, contractors are usually unable to attract experienced

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workers: lower paid private workers tend to be less dedicated to public service and less reliable; and because both wages and benefits are less attractive, turnover tends to be higher. As a result, the study finds reducing labor costs through contracting tends to impact the overall functioning of transit systems in the following ways:

- absenteeism and unreliability of performance raises costs for back-up employees or else reduces the quality of service, thus eroding ridership;
- maintenance costs tend to rise or service suffers as maintenance is done badly or deferred;
- costs of supervision increase and coordination functions become more and more complex;
- accident rates tend to increase, resulting in human, financial, and commercial costs to the transit system and to the overall community;
- since workers are not public employees, they cannot be transferred to other routes not covered by the private contract, decreasing the flexibility of the system and reducing the community's ability to respond to emergency situations;
- the overall economic health of the community suffers through the erosion of the efficiency of the community's transportation system.

The EPI authors cite a recent study by Don Pickrell which found that between 1970 and 1980 wage increases accounted for only 25 percent of the total increase in public transit deficit. The Pickrell study also shows that decreasing labor productivity accounted for 18 percent of deficit increases, but the EPI authors note that since the technology employed in public transit has not improved much since the 1920s, there have been no technological improvements in transit to offset the higher wages which employees need to keep pace with living costs as they perform essentially the same job. They also note that expansion of most transit systems to accommodate increased peak hour travel (a desirable public objective) requires a larger expansion of the work force than the resulting increase in transit miles. Thus, they find that measurement of worker productivity (transit miles per employee hour) has been reduced as an inevitable result of a sensible transportation policy designed to increase ridership, reduce

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pollution and congestion and save energy.

Note: the other factors Pickrell found to be causing transit deficits to rise:

- Decrease in real fares (adjusted for inflation) were responsible for 28 percent of the deficit increase;
- Increased transit mileage accounted for 16 percent;
- Increases in energy costs caused 12 percent of deficit increases.

The findings presented in ***The Emperor's New Clothes*** are sure to be of interest to officials of the Bush Administration, especially Secretary of Transportation Samuel K. Skinner. The Department of Transportation under Skinner has generally continued the Reagan Administration policy of using UMTA funds to push privatization on states and cities, but Skinner is now hard at work developing a new National Transportation Policy which the Bush Administration plans to release sometime in early 1990. If Skinner proceeds with plans to solicit recommendations from cities and states and from public transit riders, local community, business and labor organizations, he is likely to hear present policy challenged by leaders of many of these groups citing the analysis and findings presented in the Economic Policy Institute report.

The Urban Mass Transit Administration has financed many empirical studies with the goal of demonstrating that privatization saves money. *The Emperor's New Clothes* examines the most detailed and widely-quoted of these, *Public Transit Service Contracting* by Teal, Giuliano, and Morlok (1986) which is based on a nationwide survey of transportation contraction by public services. They find that most of the study's comparisons between private contractors and public agencies of similar size involve too few numbers of cases to yield generalizable results. In the one category with enough cases examined -- systems with 25 or fewer vehicles -- the study shows that private contractors had no cost savings over public agencies.

The authors of the EPI study cite other methodological flaws which they claim characterize the entire UMTA approach to comparing costs of public and private systems:

- They find that the UMTA studies attempts to compare public systems' "fully allocated" costs for a given route, which includes a share of the

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costs of planning, programming, financing, marketing, monitoring, and coordinating the entire transportation network, with private bids reflecting only the costs of providing one route;

- They compare the allocated cost of running a public system to the initial bid by a private contractor, even though it is a common practice for companies to underbid to get the first contract and capture the market while eventually passing on to the public the real cost of actual private operation;
- UMTA's analysis also never considers the cost savings that accrue to the private contractors from equipment furnished by the public agency sponsors.

Study cites negative impacts of new policy in several communities.

The EPI study describes several cases in which UMTA rules placed a higher priority on increasing private operation than on efficiently using public money. In these cases UMTA pressure either forced community or state agencies into contracts which they later regretted or in which UMTA influence was resisted only by the insistence of a strong public administrator who saw the bad deal with private contractors before it became a signed contract.

1. Santa Barbara

The EPI report quotes Gary Gleason, General Manager of the Santa Barbara MTD, who described how he had to resist pressure from UMTA (and from private contractors protesting through UMTA channels) to give a contract to a private firm for 20 percent of the city transit system even though he estimated that the proposed contract would result in an additional cost of $600,000 over and above the cost of running the system publicly.

2. New Orleans

The authors report that in early February 1988, the Regional Transit Authority (RTA) of New Orleans, in order to conform to UMTA's policy of privatization, awarded a three-year contract to a consortium of Greyhound Lines, Inc. (of Texas), and Airport Rhodes, Inc. (of Louisiana), for $3,922,364 to provide 56,045 hours of service along five of its routes in and around New Orleans.

Consistent with UMTA policy, the decision was made on the basis of

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comparing RTA's fully allocated costs with the bid prices of the various proposers. Even though the Greyhound consortium bid on the basis of only its incremental cost, the EPI authors present an analysis which demonstrates that in fact the Greyhound price was higher than the fully allocated costs of the former service. The authors conclude that the only savings to Louisiana taxpayers in this UMTA demonstration comes at higher cost to U.S. taxpayers, who end up footing the bill for the UMTA grants that subsidize the project and make it appear as a "savings."

3. Sonoma County, California

Among the troubling examples cited by the EPI report is the case of the Sonoma County Transit (SCT), in which it is alleged that UMTA policies were susceptible to political pressure which resulted in eliminating the low cost bidder from competition. Using competitive bidding, SCT had sought to award a new three-year contract to a public provider, the Golden Gate Bridge and Transit District (GGBTD). GGBTD offered to provide the three-year service for a cost of $5.5 million. This bid favorably compared to that of the lowest private bidder, American Transit Corporation's (ATC) bid of $5.9 million. Nevertheless, in response to a protest from the California Bus Association, a lobbying and political arm of the private operators, UMTA forced SCT to award the new contract to ATC, and not to the public operator.

4. Colorado

In May 1988, the State of Colorado passed a law requiring the Denver Regional Transportation District (RTD) to privatize at least 20 percent of its bus service as of March 31, 1989. This is the first time in which an attempt is being made to go beyond privatization of new or revamped service, to apply the policy to existing service. The law's preamble makes quite clear that the legislators relied on UMTA's research. It states that "public transportation service should be provide at the lowest possible cost [and]... private transportation providers have been effectively used under competitive contracts to provide transportation services at lower cost and with lower annual cost increases.

After examining the restrictions this new law places on the Denver system, the EPI report concludes that it will have the following negative effects:

- because of its exclusive focus on reducing costs the bill moves away from the broader view of the potential of mass transportation to serve as a tool of urban or environmental policy;
- RTD will have to significantly increase its contract supervision and

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auditing capability. With no additional funding provided, that change can only come at the expense of existing operations;

- If the performance of the transit system has to hinge on the coordination of multiple independent private contractors, each under its own pressures from breakdowns and other problems, absenteeism, etc., it seems inevitable that the efficiency of the entire system must diminish;

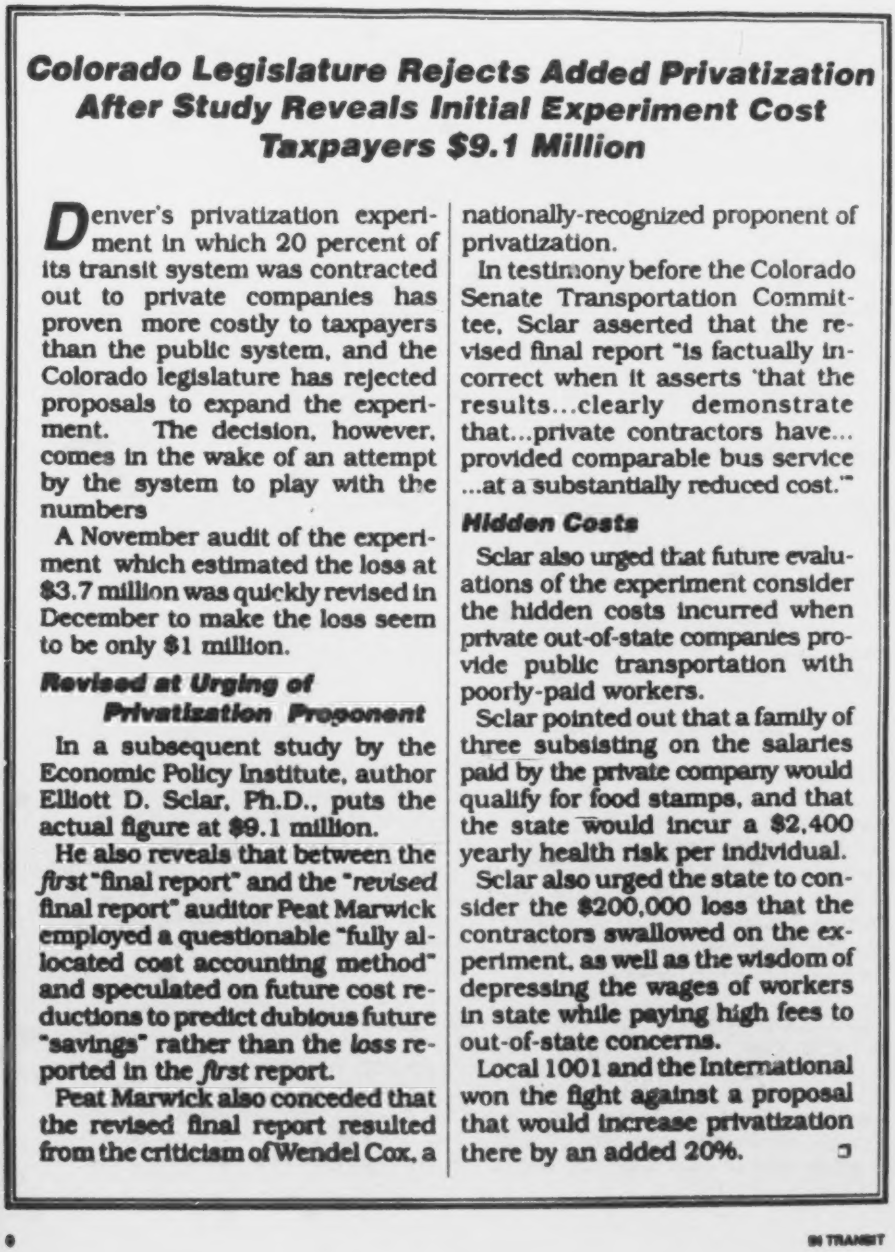
- Lower driver and mechanic wages, however, have an implicit cost in greater turnover and increased absenteeism, higher training costs, and less system reliability and safety. That, in turn, means that transit riders no longer receive the same product. Decreased reliability at the time that we are trying to increase ridership appears to be a wrong-headed policy.

- The biggest enigma created by the law is the provision that allows qualified firms not in need of subsidy to operate anywhere in the district, exempted from taxes and public utility regulations. The impact of this provision is unknown, but havoc and destructive competition is more likely to result than an effective metropolitan wide transit service.

The authors' comments on the Colorado law represent a capsule summary of their entire criticism of transit privatization:

> "The basic problem with the Colorado law is its heavy-handed ideological approach to a complex public policy issue. Some purchasing of transportation from private providers by the larger public agencies has always made sense, and has occurred in most larger agencies. But the agency should have the right to exercise a responsible make/buy decision. Agencies should not have an important economic decision dictated by arbitrary ideological and political considerations. Contracting might be thought of as we think of aspirins: two can cure a headache, but the whole bottle will kill you."

From ATU In Transit, *March-April, 1991:*



Colorado Legislature Rejects Added Privatization After Study Reveals Initial Experiment Cost Taxpayers $9.1 Million

Denver's privatization experiment in which 20 percent of its transit system was contracted out to private companies has proven more costly to taxpayers than the public system, and the Colorado legislature has rejected proposals to expand the experiment. The decision, however, comes in the wake of an attempt by the system to play with the numbers

A November audit of the experiment which estimated the loss at $3.7 million was quickly revised in December to make the loss seem to be only $1 million.

Revised at Urging of Privatization Proponent

In a subsequent study by the Economic Policy Institute, author Elliott D. Sclar, Ph.D., puts the actual figure at $9.1 million.

He also reveals that between the *first* "final report" and the "*revised* final report" auditor Peat Marwick employed a questionable "fully allocated cost accounting method" and speculated on future cost reductions to predict dubious future "savings" rather than the *loss* reported in the *first* report.

Peat Marwick also conceded that the revised final report resulted from the criticism of Wendel Cox, a nationally-recognized proponent of privatization.

In testimony before the Colorado Senate Transportation Committee, Sclar asserted that the revised final report "is factually incorrect when it asserts 'that the results...clearly demonstrate that...private contractors have... provided comparable bus service ...at a substantially reduced cost.'"

Hidden Costs

Sclar also urged that future evaluations of the experiment consider the hidden costs incurred when private out-of-state companies provide public transportation with poorly-paid workers.

Sclar pointed out that a family of three subsisting on the salaries paid by the private company would qualify for food stamps, and that the state would incur a $2,400 yearly health risk per individual.

Sclar also urged the state to consider the $200,000 loss that the contractors swallowed on the experiment, as well as the wisdom of depressing the wages of workers in state while paying high fees to out-of-state concerns.

Local 1001 and the International won the fight against a proposal that would increase privatization there by an added 20%. ❑

[redacted] Peat Marwick

Suite 800
8150 Leesburg Pike
Vienna, VA 22182

Telephone 703 442 0030

Telecopier 703 556 0186

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February 11, 1991

Mr. Jack McCroskey
Chairman, Board of Directors
Regional Transportation District
1600 Blake Street
Denver, Colorado 80202

Dear Mr. McCroskey:

Performance Audit of Privatization of RTD Services

At our presentation to the RTD Board of Directors at its meeting of January 29, 1991, you requested that KPMG Peat Marwick provide additional comment on the appropriateness of fully-allocated and incremental cost analyses in comparing the cost of transit service by public versus private sector providers. In this letter we expand on our statements before the Board and our revised Final Report.

The Case for Fully-Allocated Cost Analysis

UMTA's Private Enterprise Policy (Federal Register, Vol. 49, No. 205) requires that privatization cost analyses be performed on a fully-allocated basis. The argument for such analyses is the theory that in the long-term all costs are directly related to the quantity of service provided. Simply stated, fully-allocated analysis assumes that for each "X" percent reduction in service, an equivalent "X" percent theoretical reduction in cost will occur. In our cost model, we achieved this by associating with each line item in the RTD budget a "driving variable" related to the quantity of service provided. These driving variables included buses operated in the peak period, peak and off-peak platform hours, and vehicle-miles, by type of vehicle.

Much of argument in favor of fully-allocated cost projections evolved in the context of analyzing major public transportation investments (e.g., new fixed guideway services). It was UMTA's observation that when major expansion of transit service was being addressed, planners tended to understate the growth in administrative and capital rehabilitation and replacement costs. UMTA had observed many examples of significant growth in administrative staffing as new rail transit systems were implemented. Further, many of these new transit system, now approaching 20 years of service, are now experiencing the need for significant renewal of vehicles and fixed plant.

There are convincing arguments that such a fully-allocated approach is not appropriate in the context of contraction of transit service, as in the case of privatization. In this context, many of the underlying administrative functions and investment in fixed assets are already in place. Many of administrative functions are not directly related to the quantity of service provided. Reductions in service level, therefore, may not be associated with proportionate reductions in administrative cost.

UMTA guidelines (quite properly, we believe) do allow for the exclusion of certain capital-oriented costs not directly associated with the provision of transit service. In RTD's case, this included costs in the transit planning and development function. In addition, UMTA has acknowledged that, in an effort to "level the playing field", certain operating functions (and associated costs) may be excluded from the analysis if the contractors are not responsible for provision of such functions. In RTD's case, there were many administrative and operational functions that RTD continued to provide regardless of who provided the transit service. In our contract with RTD to develop the cost model used in this analysis, these were referred to as "retained functions". Such costs were not included in our cost comparisons.

The Case for Incremental Cost Analysis

Incremental cost analysis recognizes that certain cost components are not, in fact, directly related to the quantity of service provided, at least in the short-term. In particular, many administrative functions simply have not be observed to decline proportionate to the extent of privatization. Further, capital investment in vehicles, maintenance facilities, and other fixed plant are a "sunk cost" and, as such, are not affected by privatization decisions.

With regard to administrative costs, our estimate of incremental cost savings was based on an analysis of the reduction in RTD's "Category 1" administrative costs (excluding the "retained" functions) from the 1989 (pre-privatization levels) to the levels in the 1990 amended budget and the 1991 recommended budget. It is our understanding that historically RTD has achieved its amended budgets, which are prepared based on third quarter financial results. Further, we understand that both the 1990 amended budget and the 1991 recommended budget reflect the implications of RTD's voluntary separation program for salaried employees. Our analysis indicated that achieved reductions in 1990 and projected (and likely to be achieved) reductions in 1991 in Category 1 costs are much smaller than the theoretical fully-allocated reductions based on the quantity of service privatized. This is despite the aggressive actions by the RTD Board and management to contain such costs, including the voluntary separation program.

Beyond the limitations in the theory of the cost analysis, there are other compelling, practical reasons for avoiding a longer-term perspective when considering contracted transit services. RTD's contracts with private providers are relatively short-term in nature, with a three-year base term and two one-year options, to be pursued at RTD's initiative. It is unclear whether prices in future proposals (either after the term of the current contracts or in response to further privatization initiatives imposed by General Assembly) will be as favorable to RTD as those currently in place. Our analysis, which indicates that the contractors were operating at a loss through June 30, 1990, suggests that prices may be higher in future proposals. It may very well be that accurate long-term estimates of savings resulting from privatization may not be possible to compute because of the uncertainty in the proposed prices of the contractors. Beyond actual cost experience, the contractors price is in response to the competitive environment and proprietary goals regarding positioning in the market place. Neither of these factors is predictable.

Conclusions

Incremental cost analyses yield hard "out-of-pocket" estimates of savings that are useful in real world decision-making. Fully-allocated cost analyses are based on theoretical, longer-term cost estimates that assume that management has complete flexibility in its staffing decisions and capital investment in response to the quantity of service provided. In fact, such flexibility does not exist. Fully-allocated analyses do not address the real world staffing decisions by management in response to governance board policy and local, state, and federal legislative and regulatory mandates. Further, fully-allocated analyses do not consider capital investment as a "sunk cost", unaffected by relatively short-term privatization decisions by management.

Based on the considerations raised above, it is our conclusion that management decisions regarding the real "out-of-pocket" savings to be derived from privatization should be based on an incremental analysis. Incremental cost analysis address measurable savings, achieved within the short-term (three to five year) context of the current privatization contracts. Fully-allocated cost comparisons infer that long-term theoretical savings in administrative costs actually occur in the short-term, an outcome that has not been demonstrated.

We recommend that, in the short-term context of its current (and potential future) contracts with private providers, RTD continue to estimate the savings resulting from privatization on the basis of incremental costs.

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If you have any further questions concerning this matter, please feel free to contact the undersigned or Raymond Ellis at 703-442-0030.

Very truly yours,

Robert L. Peakin, Manager

Senator CRANSTON. Thank you very, very much.

Before going to Mr. Luby, I want to recognize the presence of the chairman of the full committee, Senator Riegle.

Senator Riegle already put in a full day with his very effective work in getting a lot more money allocated to the Housing bill, which many Americans will be very grateful for as they learn the consequences of that.

Thank you for doing that, and welcome.

Senator RIEGLE. Thank you very much, Chairman Cranston.

Actually, what we did is we succeeded in a joint effort in getting $900 million behind the legislation, that you led the way in writing and enacting last year. So, I appreciate your kind comment.

I ask unanimous consent to insert a statement in the record.

Senator CRANSTON. With a majority of one, it's unanimous.

OPENING STATEMENT OF SENATOR RIEGLE

Senator RIEGLE. Today, as we resume our series of hearings on reauthorization of the Urban Mass Transit Act, we will focus on identifying the capital and operating needs of transit systems. We will also analyze how well the administration's legislative proposal addresses these needs.

The findings of this hearing will be critical in developing a legislative package with the resources to ensure our public transportation systems operate in an effective and efficient manner. Adequacy of resources will also be key in determining whether we will be able to achieve the national goals of the Clean Air Act, the Americans With Disabilities Act, reduction of congestion, and enhanced economic productivity.

Central to reauthorization of the Federal Surface Transportation Act is the question of: What is the appropriate role of the Federal Government toward transportation infrastructure now that the Interstate Highway System is nearly complete?

The administration has proposed several structural changes to the manner in which capital assistance is distributed. For example, the section 3 discretionary program would be used primarily to fund the initial startup costs of new rail systems—while rail modernization and bus needs would be met through the section 9 block grant program. Another controversial provision is the administration's proposal to increase the State and local matching requirements for capital assistance. Our first panel today will evaluate the impact of the proposals on the delivery of capital assistance.

With respect to operating assistance, which is used to pay drivers, mechanics, security guards, as well as the day-to-day costs of gas, oil, insurance premiums, and other services. The administration has proposed prohibiting the use of section 9 operating assistance for cities with populations over 1 million and capping assistance to other systems at their current levels.

The underlying premise behind the administration's proposal is that the Federal Government should only be responsible for building—but not operating our transportation infrastructure. This assumption is misguided. The construction, maintenance, and operation of our national transportation network should continue to be a partnership between the Federal Government, States, and localities. If we permit the elimination of operating assistance, the burden will be felt disproportionately by the working poor, working class, the elderly and handicapped. They will become the victims of reduced services and higher fares.

I would like to thank all of our witnesses for sharing their expertise on these important issues. In particular, I want to recognize a witness from my home State—Albert Martin of the Suburban Mobility Authority for Regional Transportation [SMART]. SMART provides public transportation services to suburban areas surrounding the city of Detroit. Mr. Martin has been a leader in Michigan's transit community and I am glad to have him join us today. The participation of all our witnesses is invaluable to the committee as we work toward the development of a national transportation policy which will improve the quality of life for Americans today and into the next century.

Like always, we have different commitments here today. But, I'm delighted to have this panel and to welcome Mr. Martin from the State of Michigan.

So, with that, let me let them continue.

And thank you for the chance to insert the statement.

STATEMENT OF ART LUBY, TRANSPORT WORKERS UNION, WASHINGTON, DC

Mr. LUBY. Thank you, Mr. Chairman. Let me briefly summarize my remarks. But, first, let me applaud both you and Senator Riegle for the many efforts on behalf of urban transit. And you have also championed those causes. We are very grateful.

I agree with everything that Robert just said on behalf of the Amalgamated Transit Union and also with the fine statements made by the people from the various authorities at this table.

I would add these few remarks.

First, the way that UMTA is set up in the present regulations, you almost have to justify keeping your own work in-house and having it performed by your own workers.

The whole basis of the privatization program was that that was supposed to bring efficiencies of the private sector to urban transit. But I don't know any efficient private sector company that operates that way.

Normally, the presumption is just the opposite. You have to justify not performing your own work and having outsiders perform it. And this has been a significant problem for both the Amalgamated Transit Union and the Transport Workers Union, and is undermining the incentive and the motivation of our people when the authority continually has to be bogged down in paperwork saying why our people, why our members should perform work that they've been performing for 40–50 years.

We represent many private employees, both in this industry and in the airline industry. On American Airlines, for example, you have to contract in as much work as you contract out. That kind of restriction, which is in our collective bargaining agreement with American, would probably be ruled to be illegal as contrary to the privatization regulations by the Urban Mass Transit Administration.

I personally think that's a wrong-headed policy and really has to be changed.

Now, the true problems of privatization came before with a problem we had in Miami where you had approximately 10 well-traveled, well-serviced routes that UMTA forced to be contracted out to a private sector contractor.

And the basic comment on the people who rode on those routes was that, well, now and then, the public workers were a little bit late--but at least they came.

The private workers, who worked for Greyhound, never came. And, finally, Greyhound walked away from the contract. And the buses which UMTA paid for and gave to Greyhound are now unusable.

So you're talking about several million dollars that was simply thrown away on this experiment.

As I heard the various representatives of the authority comment on the fiscal problems they had, I think it's really a shame that we aggravated those problems by throwing away money on forced privatization experiments. I really think that has to be brought to a stop.

I agree with Robert's comments on 13(C). I think, in the sum total of the last 10 years, the TWU has called up a total of two UMTA grants based on 13(C) requirements out of the thousands and thousands that have impacted our membership.

And one of them was based on the Miami project that I just described.

I also concur with the comments on drug testing. In the airline industry, we found that a sum total of less than one-half of one percent of the employees who were tested turned up positive.

I would suspect that, if the same program is imposed on transit employees, we would come up with the same rate.

At a time of fiscal constraints and problems throughout this industry, I think it is not justified by any criteria to throw money away with that kind of testing, particularly when the problem is now being dealt with effectively in the collective bargaining process.

Thank you.

[The complete prepared statement of Arthur Luby on behalf of George Leitz follows:]

TESTIMONY OF GEORGE LEITZ, INTERNATIONAL PRESIDENT TRANSPORT WORKERS UNION OF AMERICA, AFL-CIO BEFORE THE SENATE BANKING, HOUSING & URBAN AFFAIRS COMMITTEE

Good morning, my name is Arthur Luby, General Counsel, Transport Workers Union of America, AFL-CIO. I am testifying on behalf of President George Leitz. The TWU represents some 60,000 members involved in urban and intercity surface transportation. We represent bus and subway drivers in New York City, Philadelphia, Houston, San Francisco, Miami and numerous other smaller cities. We have a continuing interest in a strong and viable urban transit system. This is, in our view, the purpose of the Urban Mass Transit Act, and the Surface Transit Assistance Act now being considered.

At the outset, I am pleased that after many years of recommending drastic and destructive cuts, the administration is at least proposing a modest increase in assistance. I believe that significantly more assistance is called for if we are to restore public transit to a central role in our national transportation system, but I am grateful that the destruction of urban transit assistance programs is no longer in the administrations' game plan.

Aside from arguing for an increase in funding levels, TWU has continuing concerns about the administration of the program which I will now discuss.

PRIVATIZATION

It is clear that UMTA, through its interpretation of Sections 3(e), 8(e), and 9(f) of the Act - as well as regulations published pursuant to these provisions - has sought to establish a bias in favor of contracting out and privatization by transit authorities to justify performing their own work as a condition of assistance. In our view the actual terms of the law do not permit this sort of presumption. Of equal significance, this is the exact opposite of how efficient private sector firms operate in relation to contracting out core functions of business.

For example, in our contract with American Airlines we have a provision requiring the company to contract in at least as much work as it contracts out. Notably, UMTA has found similar restrictions on contracting out in transit contracts to be inconsistent with its privatization regulations. I doubt that anyone would contest that American has been one of the most successful airline enterprises over the past few years. By contract, Texas Air - which for years contracted our far more work than most carriers - is one of the least successful carriers. In other words, UMTA's presumption in favor of contracting out has not, in our experience, been a sound strategy in the private sector. In light of this, I cannot see why UMTA retain this sort of policy.

The true cost of UMTA's privatization initiative, though, is revealed by the Miami experience. In that city,Administrator Ralph Stanley forced the authority to enter into what was known as the "Private Enterprise Participation" (PEP") plan as a condition to receipt of rolling stock. The authority was compelled to contract out several well traveled routes to Greyhound Corporation. The notion was that this experiment would show that private firms would operate more efficiently and effectively than the established public authority and, therefore, justify more contracting out.

The experiment eventually established the exact opposite point. Polls of the public showed great dissatisfaction with the service provided by Greyhound and far greater happiness with the work of our members in Miami. While the private company began with a significant labor cost advantage, that advantage was soon eliminated by the higher accident, turnover, and absenteeism rates among the private drivers and mechanics. In short, while Greyhound paid its employees less, the Miami ridership got what Greyhound paid for - less effective service.

The ultimate cost of privatization, though can be simply revealed by looking at the buses themselves. Greyhound waled away from the PEP contract. They returned the buses to the Miami authority - stock paid for by UMTA dollars - in a complete state of disrepair. Any proponent of forced privatization should be compelled to walk through the warehouse where the cannibalized, leaking, now unusable buses, operated by Greyhound are kept.

That will reveal in starkest possible terms the true cost of privatization.

Clearly, this policy is unworkable. TWU strongly recommends that Congress amend the Act to require UMTA to remain neutral with respect to contracting out decision.

LABOR PROTECTION

To its credit, UMTA has not proposed elimination of 13(c). However, we strongly believe that certain loopholes in the law should be closed. In particular, UMTA has proposed deletion of 13(c) for so called demonstration grants. Yet, such grants may represent significant privatization initiatives. In any case, I see no reason why an authority should be allowed to circumvent negotiations with the Union on any federal grant which may affect our members.

DRUG TESTING

TWU remains opposed to legislation mandating the imposition of drug and alcohol testing, especially random drug testing, as a condition for the receipt of federal transit grants. Over 80 percent of the urban mass transit industry is engaged in massive drug and alcohol testing, employing pre-employment reasonable suspicion, post-accident and other testing as part of negotiated programs or employee practices. We have such programs in New York and Philadelphia.

The committee has not received nor has UMTA presented any evidence indicating a need to legislate any additional testing at this time. Indeed, the experience in the airline industry indicates that the cost of random testing programs far exceeds their value in removing drug impaired personnel from the work place.

Senator **Cranston**. Thank you very much.

And, thank you all.

Now, we'll go to some questions.

A recent article in the New York Times painted a very bleak picture of the Nation's major transit systems from New York to Atlanta, from Chicago to Baltimore. The article outlined a pattern of decreased ridership and State and local revenues on one hand, and potential fare increases, service reductions, and employee layoffs on the other.

What factors are the principal ones which have led to this unfortunate situation in the major systems as a whole, and in your system specifically?

What values in particular have either increased operating expenses or inhibited the ability of local systems to cover those expenses?

And to what extent will the new requirements under the Americans With Disabilities Act increase operating expenses in the future?

Who would like to lead off? Mr. Martin.

Mr. **Martin**. Senator, I will attempt to lead off.

For metropolitan Detroit and the suburban systems specifically, part of the problem with a stabilizing ridership has to do with a lack of operating funds to put additional service on the streets.

Transit is an operation that requires that the service be there in order for the residents to take advantage of it. We have found that, once the service is there, people will ride it. We are unable, unfortunately, in the situation of decreasing funds—not increasing funds—to be able to put additional service out there.

We have experienced a reduction in funding and we have also experienced a reduction in ridership over the last decade.

Fortunately for us, our ridership has stabilized.

In terms of the ADA, let's face it, the handicapped have a right to transportation. We recognize that in the industry. We are in favor of it.

We also recognize that there are costs associated with providing that additional service. That has to be dealt with. I don't think that we can attribute a decline in ridership to the increased emphasis placed on lift equipment or paratransit services.

Senator **Cranston**. Any other comments?

Ms. **McClendon**. I would like to respond as far as the city of Atlanta goes. I think our problem has come about as the result of our sales tax, which is our dedicated source of revenue, not growing, and also a decrease in our ridership.

Any time we experience a fare increase, and we've had to implement a fare increase our last fiscal year, it always affects the number of riders and there's always a decrease coupled to the number of the people we lost as a result of the fare increase.

And you add to that the recession and unemployment and we don't have as many people using our system because of these factors, again, we have made cutbacks to try to bring operating costs in line, and they are.

But, the nongrowth, our sales tax being stagnant, has had a big impact on our operating expenses. We're just not getting the dollars that we were getting.

Mr. HARTMAN. If I could add to that, in Baltimore, we've had a series of fare increases and at each fare increase, we do see a reduction in the ridership. Proposing a 10-percent fare increase does not simply get you a 10-percent increase in revenues. It gets you perhaps 6 percent or 7 percent, if you're lucky, because of that loss.

That's a serious issue.

I think the other point that's important here is suddenly dealing with a situation of reduced funds is not sudden. It's not new.

We've been in this situation for years in Baltimore; especially given our requirement to recover half our costs from fares, we have been continually trimming back to try and manage better.

If we were to lose operating assistance, we're simply at a point where there's not much left to do.

The other side, with respect to ADA—and I think we're very supportive of ADA, certainly, a cost often referred to as the cost of buying lifts. Well, the cost of buying lifts is there but my concern is the cost of maintaining them.

We are getting new riders using the lifts. We want them to work. We want to put our very best foot forward with this new set of customers.

To do that, it takes a high level of maintenance, a high level of attention to make sure on a day-to-day basis that those lifts are ready and able to carry people.

Mr. MOLOFSKY. I would just make a couple of points.

Transit funding has been cut by 50 percent in the last 10 years. Transit ridership has maintained itself and has not been reduced by any significant amount.

What you have seen in the last 10 years is a remarkable increase in productivity and efficiencies in almost every city. And I think it's commendable for the transit industry to have overcome such a large loss of Federal moneys.

That same article and others have talked about the States' efforts to increase and respond to loss of Federal moneys by raising their State contributions to support transit. And they have now peaked as to where they can go.

And I would support what they've said. We do need to be more flexible in terms of serving the regular riders and to be more responsible in serving the entire community, those that are disabled and so forth.

An increase in the level of Federal funding is basically essential. And if you look at the statistics, I think you'll find that the measures they use in terms of not only productivity but home to work riders show a fairly steady increase in use of transit over the years.

Senator CRANSTON. The administration's proposal would eliminate assistance to urban areas of 1 million or more in population. The administration argues that the Federal portion of the operating budget in these areas is so small, less than 5 percent in many jurisdictions, that the impact of eliminating operating assistance would be minimal.

How do you respond to that statement?

What effect would the elimination of operating assistance have on specific parts of the transit system, such as fares and ridership?

Ms. McClendon. The operating assistance that we receive is a very small part of the MARTA budget. But it is a part that we very much need.

We're in the business of providing service and the ability for our residents did not have that, the $5.4 million that Atlanta receives.

Our choices would be just to increase the fares or reduce service. And any fare hearing that I have attended, that is the one thing that the riding public says to us:

> If you're in this business to provide service, how can you come to us and price yourselves out of the market, or cut back on the service that you had? You should be about reducing your fares and increasing your service.

We wouldn't have an option. Our sales tax is nongrowth. We would have no other choice but to do the two things that our riding public says that we should not be doing—would be increasing the fares and reducing service.

Mr. Martin. Senator, for metropolitan Detroit, SMART particularly, we are in the unenviable position of not having a local source of dollars for the operation of public transit.

For us, the Federal operating assistance comprises approximately 20 percent of our operating budget; for the city of Detroit, it is considerably less.

However, with the city of Detroit, the city contributes approximately half of the operating dollars required from the city general fund. That means that the city is unable to use those dollars for other city services.

For metropolitan Detroit, it would be a total disaster and we would be unable to handle it.

Mr. Hartman. Senator, in our case, if we lose the operating assistance, I think, because we have done so much reduction of our service in the first place, we are at a point where the money perhaps would be replaced by State funds. But, we'd lose it in other areas that we're not using those State funds.

In particular, maintenance is of great concern to me. We've invested a lot of money to get ahead of the curve, to be doing preventive maintenance, to save costs down the line that are greater. And I see that just slipping away and, basically, a domino effect, losing the funds at that end to do the things that are really good, long-term management of the systems.

And that's just going to cost us more down the road.

Ms. McClendon. Senator, to that, may I add one other point about MARTA? I think it makes our point a little bit clearer. We have the dedicated source, but we also have a State government that has a law that prohibits the State from giving us any money.

So, beyond our own sales tax, we don't have the State government to go to, to request additional funds if we should lose the Federal dollars.

Senator **Cranston.** Senator Riegle, do you have any questions?

Senator **Riegle.** Thank you, Senator Cranston.

Mr. Martin, I think you make it very clear that the loss of operating assistance would be devastating to the SMART system in the Detroit area.

Am I right in believing that the increasing number of people in the city of Detroit have to go out into the suburbs each day for the work that they have been able to find because of the growth of jobs in the suburban ring around the city?

And if we're going to talk about people being able to work and get to and from their place of work, don't we face a situation in our home area where, if we were to see a major reduction in our transit system, we find an awful lot of people are using it now to get to work, a work site that's some distance from them? Hopefully, they'd have no other way to do that, would they?

Mr. **Martin**. Senator, that is absolutely correct.

Approximately, 75 percent of all the newly created jobs in southeastern Michigan through the last 10 years have been created in the suburban areas ringing the city of Detroit.

We have noticed in our own service our ridership has been increasing in what we call the reverse commute. Citizens from the inner-city going out to the suburbs; approximately 40 percent of our ridership now is made up of that type of transit trip.

You are absolutely correct. Without the continuation and an improvement and an enhancement of public transportation services in southeastern Michigan, our unemployment figures would continue to rise, and the economy, of course, would be negatively impacted.

Senator **Riegle**. I should note, Senator Cranston—you may know this—the State of Michigan has just most recently reported an unemployment rate of 10.7 percent. So we're up in the double-digit area.

And, of course, the urban centers are taking the brunt of that, the Detroit area and my hometown of Flint. But, this difficulty of being able to get to and from work in a large metropolitan area is really critical to our ability to just even maintain ourselves as working people.

Mr. **Martin**. Absolutely, Senator. We've been playing a part of bringing jobs into our area for years. Now it's a matter of those jobs coming in and our not being able to get the workers to them.

Public transit plays an integral role in serving those job sites.

Senator **Riegle**. I may have other questions for the record.

We just had the votes start on the Senate floor and we'll just have to go in due course and answer that vote.

So I'm going to excuse myself now, but thank you all for your testimony.

Senator **Cranston**. I think I'm going to have to go to that vote, too. So, we'll take a recess until I get back. [Recess.]

Can we reconvene, please?

The administration's proposal on operating assistance for urbanized areas under 1 million population, would hold them harmless in terms of Federal funding for a new category called noncapital expenses.

In addition, these areas would be allowed to use section 9 funds for an expanded definition of "associated capital maintenance items."

My understanding is that UMTA's initial proposal would have applied this definition of "operating assistance" to urbanized areas of 1 million or more.

What are the benefits and drawbacks that you see of reviving operating assistance for large urbanized areas along the lines of the administration proposal for the smaller urbanized areas?

Mr. Molofsky.

Mr. **Molofsky**. As I understand, what they would want to do is to make operating assistance available for a certain range of defined expenses involving maintenance and equipment and certain supply materials.

Of course, a large part of operating assistance also now goes to wages under administrative expenses which are a significant part of every transit agency's operating expenses.

So, while their proposal would certainly take care in part of the purpose for the operating assistance, it would exclude coverage for other purposes.

The question that I guess you would have to grapple with and the transit agencies themselves in their budgets would have to grapple with is:

Would they continue to have available, based on State sources and Federal sources and their local revenues, sufficient funding to continue to meet all of their operating expenses as they respond to new service needs.

And if the reductions puts pressures on their ability to continue to pay for wage and benefits and operating expenses that affect individuals working on the systems, that's a problem that we have.

So that's the tension that we see in that proposal.

Senator **Cranston**. Any other comments?

Mr. **Hartman**. Yes, Senator.

Under that proposal, as I understand it, some of those costs are considered operating costs.

I guess, in that case, what becomes important is the definition. And, moreover, if it's an operating cost, I guess I'm not absolutely sure why it matters where the dollars get applied. The day we get our operating assistance, it gets applied to our operating program. It doesn't get allocated to a specific category. It goes into the pot.

Beyond that, it seems to me, with those definitions, you would suddenly be incurring an awful lot of auditing and record-keeping to make sure, and being able to document that you were spending the dollars for the particular categories of expenses.

The only other comment that I have is I recall that proposal still changes the match to a 60/40 match. And I think that still raises great concerns for us about reducing the match we now have.

I really think owing to a 40-percent local match means for some of us we're going to have to actually turn down Federal funds because we couldn't match them.

Senator **Cranston**. Any other comments on that?

Mr. **Luby**. I would just add this.

I think you're right. First, I think it's to UMTA's credit that it at last realizes, or indicates that it's realizing how crucial maintenance costs are for training and productivity.

For many years, I think that's been our experience, that the main inhibition on increased productivity trends is the inability to maintain the capital resources.

On the other hand, I do agree that you're going to run into the problem, having developed all sorts of paperwork showing that you are applying the costs to maintenance. And it brings up questions in my mind as to whether or not, for example, the train with your repair people or your mechanics is going to be an operating or mechanical cost, or the teachers for these people and the various sorts of things.

That's why the categories may be rather artificial.

Senator **Cranston**. Mr. Martin, did you have a comment?

Mr. **Martin**. Senator, there is really another way of reducing the Federal participation in this partnership that's required for an effective transportation. And for that reason, I think it needs to be scrutinized very, very thoroughly.

Senator **Cranston**. I'd like to turn to a few issues of particular concern to the Labor Committee.

The testimony of both Mr. Molofsky and Mr. Luby today highly criticized UMTA's administration of the law's privatization mandates.

Your statements shed considerable doubt on the cost-savings that have been attributed to privatization.

You request that the committee reassert a neutrality principle contained in past appropriation laws to ensure that the choice of public and/or private transit is a local decision determined free from Federal regulations, guidelines, or controls.

What specific actions has UMTA taken that, in your opinion, interfere with local decisionmaking? And to what extent are the problems that you've identified a product of existing law? Or, administration misinterpretation of existing law, or both?

Mr. **Molofsky**. Let me give a couple of examples, two of which are perhaps close to home.

In Sonoma County Transit, there was a decision initially by the transit authority to retain Golden Gate Transportation District for certain service operations. UMTA reviewed the process and the local decision and the reexamination of that choice and their consideration. As a result they directed that reconsideration be given to retaining an outside private operator who would in that case I think bid higher than what the transit district had stated it could do for the service.

That's one example where they second-guessed local decisions.

In San Jose, CA, there was an effort to respond to the UMTA directives and to develop a privatization policy. The local planners had sought to include certain factors in that policy, including a modified prevailing wage-type requirement, so that private operators, seeking to competitively bid service, would not come in and offer to do the service paying substandard $5-an-hour wages and no benefits as the basis for so-called cost-savings.

UMTA interceded in that effort and essentially told San Jose that if that factor was included in their final plan, they would have a problem getting their program of projects approved.

Ultimately, it was dropped.

In several other cases, involving Hillsborough, and Detroit, in 1988–89, there was correspondence and communications indicating that certain section 3 projects wouldn't be facilitated or processed as easily, if at all, unless enhanced privatization components were included in certain parts of their program or projects sent to UMTA.

In other cases, universally, through their circulars and guidelines, they command that every transit agency, when deciding the choice of public or private operators, make those decisions based on fully allocated cost accounting procedures, which have been discredited not only by independent studies conducted by the Economic Policy Institute, but also by the Peat, Marwick national accounting firm. There is correspondence in our testimony which indicates that a transit agency has to bid fully allocated cost when comparing its cost to a private operator.

It's supposed to bid not only the one bus and the one driver but a percentage of its fixed costs, administrative costs that are arguably assigned to the percentage of routes in question.

And that must then be compared against the private sector's bid, which is one bus, one driver. And they can low-bid, high-bid or just take a loss just to get market share.

The facts are, however, that the public agency's fixed costs don't get reduced by the amount of service that's contracted out.

So, the system that UMTA has required artificially inflates the real cost of the public agency's ability to provide service against the private operator.

So what we are asking for is a change in that so that any comparison or choices that the locals choose to make, are based on marginal costs, how much it really costs for the public agency to put out service against what a private operator would bid.

At least there, you would have a better idea of whether you were going to save money or not.

Those are some of our examples of problems that have occurred and some generic problems in the circular and guidelines as they stand now.

We'd be able to provide some background on this.

Senator **Cranston**. Yes. Give us anything additional.

Mr. **Luby**. If I can add to that, Senator Cranston.

The methodology that existed really during the 1980's was that the primary definition to transit being profitable was the wages of transit workers. And that really was part of Ralph Stanley's beliefs. And that notion still hasn't been jettisoned.

The fact is that urban transit workers have, like most other workers, experienced declines in real wages throughout the 1980's. Nevertheless, that has not, in my judgment, contributed to the profitability of transit.

Combined with that myth is that there is a large pool of employees who are ready to work for far less in wages and benefits for public employees.

And when you're talking about the operation of a transit system, as has been discussed before, you're talking about a lot of skilled maintenance people, other people who require now under the Commercial Motor Vehicle Act a clean State license and other sorts of qualifications that are not readily accessible among anyone they can pull off the street.

And, of course, a transit company, for example, in Miami has to compete with the airlines and the railroads for maintenance people. And the notion that somehow you're going to take a mechanic working for $14 an hour and put his job out for $8 an hour and get the same quality of work is ludicrous.

That's what happened in Miami. The wages were less and that contributed to a lessening of operating costs by the private employer, who was forced out of those routes.

But, the private employer and the public eventually got what they paid for. The absenteeism rate was higher. The amount of deferred maintenance was higher.

And, eventually, the project collapsed of its own weight.

Those are really the faulty premises that this sort of program is based on, and I think we're going to have to face up to it.

Mr. **Molofsky**. In Denver, I just want to add a footnote, the private operators were paying 30–40 percent lower wage costs in the first year of the 3-year privatization experiment. Yet it cost the city $9 million more to privatize the service than it would cost to keep it within the transit agency.

Senator **Cranston**. Let me ask about section 13(c).

Under it, the potential recipients of Federal transit fund must, as a precondition, "make fair labor goals and employee protection arrangements."

The Secretary of Labor introduced a grant approval process to ensure compliance. The administration proposal seems to circumscribe the application of section 13(c) with respect to grants under a number of programs, most importantly, the demonstration and elderly and handicapped programs.

What's been your experience with grant approval processes under 13(c)? To what extent have parties been able to reach fair and timely agreements on affording employee protection?

What's your interpretation on the motive behind the administration's proposed statutory revisions?

Mr. **Molofsky**. As I mentioned in our written testimony, in the year ending March 1990, almost 460 grants were processed through our office for section 13(c) purposes. And the average time from the time we got the grant to where we could have it certified by the Department of Labor was 13 days.

Eighty-six percent of those grants were handled within 30 days, with the average being 13. Of those, well over 60 grants involved so-called privatization paratransit, E&H, elderly and handicapped, and ADA, so-called Americans With Disabilities Act type service projects.

They were all funded. Section 13(c) arrangements were executed and the grants went forward. We have had some discussions with UMTA concerning this. They have yet to provide us with any examples of an entrepreneurial service grant, or indeed, any other grants where the grant did not go forward because of a 13(c) problem.

The only cases they did raise with us involved situations where the prospective employers did not want to deal with the arrangements in the first place as a matter of policy.

So, my comments to you are that where the parties have been prepared to sit down and work out arrangements that satisfied the act's requirements, it's uniformly been done. And, most often, in a fairly short order.

We think that's a record that is justifiable and we remain prepared to work with the applicants and the cities as they try to expand and develop their services.

In terms of underlying motivation, I think it's rooted in an effort to remove essential protections for workers who live and reside in the communities that the transit agencies are seeking to serve.

It makes no sense. It may be based in an earlier era's effort to weaken the unions in those areas, or just to deprive workers of good jobs and good wages, as someone once said.

And that we don't believe is appropriate.

Mr. **Luby**. I'm aware, as I indicated in my opening, of only two documented cases in which the Transport Workers Union delayed a grant via 13(c). We have generally worked very well with authorities in making sure that they get transit money on time.

And we have sought to expedite, not delay, receipt of the money.

I don't know what one of the cases was, but the one I was involved in that did delay was the Miami project. And I only regret we didn't delay it longer because it was a complete waste of time and money. And we had some very serious objections.

And I think, by the time we were done, had the authority had its own way, it would not have entered into the project.

Aside from that, I think that 13(c) has been a good mechanism for forcing authorities to deal with labor, to make sure what the employee impact on particular forms of assistance are.

I see no reason to exempt demonstration grants or grants based on the Americans With Disabilities Act, particularly the latter, because those may be very considerable over the years.

The impact of the ADA on the operation of transit companies may be very pronounced, indeed.

Senator **Cranston**. Do those of you testifying on transit operations have any comments?

Mr. **Hartman**. I think, in general, we've seen fairly good cooperation in getting responses on the 13(c) agreements. In a couple of cases where there's been some issues, where it took a little longer, I think we've discussed it already. We've generally found our way to the right people and been able to resolve it.

Mr. **Martin**. Senator, I'm a little concerned. I think it is incumbent on both labor and management in the transportation industry to iron out all of the problems that we can among ourselves, largely because of the fact that public transit can impact policy on so much of our lives.

Public transportation can help us solve many of the problems which we face in this country today.

When I look at 13(c), I think back to the original intent. And the reasons for that no longer exist.

However, I do think, to repeat myself, that it is incumbent upon us as managers and as labor officials to provide the type of protections to the employees who provide transportation services to our respective residents.

Anything that interferes with that service I think needs to be addressed. And in many of these services, there are delays that interfere with the delivery of service.

So I think it is incumbent upon us to work out problems. And I think, by and large, you will see that history points out that we do.

Senator **Cranston**. I want to get into one other matter. That's drug testing.

The administration's proposal would authorize UMTA to require that recipients of sections 3, 9, or 18, funds establish antidrug and alcohol programs, including random testing.

Your testimony opposes the proposal, those of you from Labor, principally on the grounds that existing programs are adequate to ensure safety in public mass transit operations.

My questions are:

What types of antidrug and alcohol programs now exist as part of negotiated settlements or employee practices?

To what extent do these programs follow uniform practices or procedures?

What costs would be associated with requiring antidrug and alcohol programs for all systems?

And what do you believe is the appropriate role for the Federal Government in this area?

I have to take a call from another Senator, so I'm going to recess just very briefly and you can think about the answer. [Recess.]

You were about to say? [Laughter.]

Mr. LUBY. I'll take the lead this time.

Our two biggest properties are New York City and Philadelphia. Both of them have extensive collective bargaining drug-testing programs.

Philadelphia's includes random as a bargaining matter, as well as rehabilitation programs.

What disturbs me about UMTA's approach is that I've seen no evidence that they check the success of any of those programs, have conducted any real investigation as to whether they're working or not working before they made this proposal, and before they tried to supercede these collectively bargained programs.

There should at least be a factual basis for saying that they're not working properly. I see none. And I think it's a dangerous thing to do, to essentially regulate based on ideology rather than a bona fide investigation of what works and what doesn't work.

I get the sense that this was an ideological proposal rather than a proposal based on the problems of transit.

Now, we have had particular concerns about random and those are based both on our experience in the transit industry and also on other transportation-related industries.

In the airline industry, we came up with a very, very small percentage of people who tested positive on random. But, yet, these programs cost millions and millions of dollars to implement.

If you do some sort of cost benefit analysis on it, I just think that the costs far outweigh the benefits. There are many reasons why people don't concentrate or perform properly at work. It could be having familial problems, all sorts of reasons, besides drug impairment.

But I don't believe that we had random counseling, for example, for familial problems. And if someone proposed the idea, it would be, I'm sure, shot down.

Where I do think the administration can perform a useful role is to actually examine these proposals and try to come up with Federal standards as to how these tests should be conducted—how urine should be handled and how the chain of custody and sanctity of the specimens should be maintained.

Mr. MOLOFSKY. I would add the following couple of main points.

First, 80 percent of the urban mass transit industry already has programs in place that were negotiated or imposed. Everyone provides for postaccident and, in most cases, reasonable suspicion testing.

Those programs, which have been in place for 20 years or more, usually have employee assistance components, rehabilitation opportunities and the right to return to work unless you're discharged for cause as a result of any incident.

By imposing Federal mandates, you raise a very serious question regarding the collective bargaining process. Under labor laws, in the private sector and in many States, negotiating drug-testing programs is a mandatory subject of bargaining, not only the triggers, but the programs that accompany it.

And if you mandate one part of the program and not the other, you would interfere with those bargaining obligation under the National Labor Relations Board and the State labor agencies which have said are the rights of the parties to achieve on their own.

Second, I would suggest that, based on recent research the House Government Operations Committee in terms of the testing cost in the Federal sector to date, imposed mandatory random testing would be a high fixed cost with little gain. The administration's proposal would say: you have to test 50 percent of the work force every year, year in and year out.

That's a fixed cost that would amount to several hundred millions of dollars a year imposed on the industry.

At a time when there are fiscal pressures all around, you have to ask yourself is there a need that is not being fulfilled at this moment that we should impose an extra cost on the parties?

I don't think so.

Also every expert in this field who has testified in prior hearings, and ourselves to date, would suggest to you that any testing program unaccompanied by appropriate education rehabilitation counseling and the right to return to work, except in those circumstances where the event might cause a discharge, is an inadequate program and doesn't address the real problem of drug use and abuse. Yet the administration's programs do not contain these elements.

And our problems with random relate not only to the constitutional problems; it is a true infringement on an employee's rights. And the courts even today, which have been mixed, but those that have seemed to allow it in some circumstances, require you to conduct a balancing act, weighing the public safety concerns against those privacy rights.

In the urban mass transit industry, public safety is being remarkably taken care of through these negotiated programs. And I don't think it's necessary, wise, or cost-effective, again, to impose mandatory random other testing beyond that now in place, especially in an industry which is taking care of itself through negotiated programs.

An appropriate role for the Congress and the Federal Government to play would of course be to regulate the labs, which can vary remarkably in terms of quality.

Uniformity there would be a much needed reform in terms of testing of all categories. But to impose mandatory testing programs would have consequences that are unintended, that would be negative and not produce any real benefits to the public or to the work force.

Senator CRANSTON. Yes.

Mr. MARTIN. Senator, I think there has to be put in place a program to address substance use and abuse where the employees who have those problems must have a mechanism by which those problems are addressed.

Also, I think the industry has recognized and must do whatever is required to ensure that the individuals who are responsible for the lives of thousands of people on a daily basis are not using or abusing substances in their daily work situation.

So, however the industry deals with making sure that those safeguards are in place, I think it speaks well for the industry.

Mr. HARTMAN. Senator, I agree with much of what the union representative said, especially about programs needing to be in place or being in place, that not only. sure, we have a drug-free workplace, but provide the counseling, provide the employee assistance as necessary.

We began random testing when it was mandated by UMTA and when it was overturned by UMTA, we chose to go forward with it and have continued to this day.

At the time the rules were overturned, we found at that point we had had five positive tests. And it just presented us with what were two very—neither—attractive choices to continue random testing, which I find I have some philosophical problems with versus not taking every possible safeguard that we could to protect our passengers.

And it really came down to balancing the rights of our employees versus the rights of our customers to ride on a bus that was driven in the safest manner possible.

In the end, we chose to continue the program.

Senator CRANSTON. Thank you all very much. You've been very helpful. We've had a fine hearing.

We'll do our best on this legislation.

We stand adjourned.

[Whereupon, at 4:45 p.m., the hearing was concluded.]

[Additional material supplied for the record follows:]

United States General Accounting Office

GAO

Testimony

For Release
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MASS TRANSIT

Reauthorization Offers Opportunity To Address the Appropriate Federal Role

Statement for the Record of
Kenneth M. Mead,
Director, Transportation Issues
Resources, Community, and Economic
Development Division

Before the
Subcommittee on Housing and Urban Affairs
Committee on Banking, Housing, and Urban Affairs
United States Senate

GAO Form 160 (12/87)

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to present our views on the Urban Mass Transportation Administration's (UMTA) grant programs and the 5-year, $16.3 billion reauthorization proposal.[1] Our testimony is based on our work at UMTA over the past several years and focuses on those aspects of UMTA's proposal dealing with the sources and uses of funds, increased funding flexibility between mass transit and highways, and oversight of grantee activities.

In summary, our work shows the following:

-- UMTA's proposal--to provide $16.3 billion for mass transit over the next 5 years--represents only a nominal 1-percent increase in authorized funding over the past 5 fiscal years and could represent nearly a 17 percent decrease in real dollars over the next 5 years, based on projected inflation rates.[2] In contrast, highway funding will increase in nominal dollars over 25 percent--from $69 billion to $87 billion--over the next 5 years, or about 4 percent in real dollars.

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[1] The Urban Mass Transportation Act of 1964, as amended, envisioned that improving transit services would not only help stem ridership declines but also help solve such urban problems as traffic congestion, air pollution, energy consumption, urban sprawl, and the unmet needs of those who cannot afford an automobile or are physically unable to drive one. Many of the anticipated benefits depended, in part, on attracting automobile users to mass transit.

[2] To estimate inflation, we used the gross national product implicit price deflator prepared by WEFA, a major economic forecasting firm.

-- UMTA's proposal would allow state and local governments flexibility in allocating federal funds between mass transit and highway projects. We support a multi-modal strategy to address transportation needs. However, a number of obstacles need to be overcome, including the biases that favor funding highways over mass transit and the effective integration of transit and highway planning and decision making at all levels of government, for the proposal to succeed.

-- UMTA's proposal would also shift a larger share of the financial burden to grant recipients by reducing the federal share for capital projects from 80 percent to 60 percent. This increased financial burden comes at a time when transit authorities will have to absorb costs to meet new wheelchair access and pollution emission standards. Although the concept of greater cost sharing by states, localities, and grantees can promote leveraging of scarce federal funds, caution should be exercised in making an immediate shift of financial responsibility to transit authorities who will have to absorb the increase while maintaining service levels. If these added costs are passed to transit users through higher fares, it could thwart efforts to attract ridership away from automobiles and increase transit costs for those who can least afford it--the elderly, handicapped, and economically disadvantaged.

-- UMTA does not effectively oversee grantees' management and use of federal funds. In this regard, the Department of Transportation's (DOT) Office of Inspector General (OIG) has questioned grantees' use of over $300 million between October 1987 and March 1991. With federal dollars limited and mass transit needs great, grantees must have management controls that ensure the appropriate, prudent, and efficient use of funds and UMTA must effectively monitor grantees' activities.

PURCHASING POWER OF MASS TRANSIT FUNDING WILL DECREASE OVER THE 5-YEAR PROPOSAL

Between fiscal years 1981 and 1991, annual federal funding for mass transit has declined from $4.6 billion to $3.2 billion--a reduction of about 50 percent when inflation is considered. To maintain the same purchasing power today that was provided by the $4.6 billion in 1981, the present funding level would have to be about $6.4 billion. Under the proposal, UMTA's authorized funding will increase by 1 percent over the prior 5 fiscal years. On the basis of current inflation estimates, a decline in funding of nearly 17 percent could occur over the next 5 years. In contrast, DOT proposes to increase highway funding over 25 percent--from $69 billion to $87 billion--in nominal dollars or about 4 percent in real dollars during the same period.

All mass transit funding under the proposal would come from the Mass Transit Account (account) of the Highway Trust Fund. The account is financed by 1.5 cents per gallon from motor fuel excise taxes. Using the account alone is a significant departure from the current practice of using both general revenues and the account (see attachment I). Since 1983, when the Congress established it, about 30 percent of UMTA's funds have come from the account; the remainder have come from general revenues. Through fiscal year 1991, receipts and interest in the account totaled $14 billion.

Of the $14 billion, the Congress authorized UMTA to use $10.4 billion but imposed a $9.9 billion spending (obligation) limit. As a result, at the end of fiscal year 1991, the transit account will have $4.1 billion in uncommitted funds. UMTA projects that the drawdown of the $4.1 billion in uncommitted funds together with fuel tax receipts and interest would be sufficient to fund the $16.3 billion proposal through fiscal year 1996 and leave about a $400 million balance in the account.

However, mass transit authorizations from the account could be increased over the proposed funding level. The Highway Trust Fund portion of the Internal Revenue Code provides that 1 additional year of revenue collections should be included in calculating funding available for mass transit.[3] Under this provision, and assuming a $500 million safety cushion, an additional $2.2 billion could be authorized for mass transit between fiscal years 1992 and 1996 (see attachment II). However, either level of funding would fall short of the needs identified by the transit community. The American Public Transit Association estimates that more than $90 billion would be needed between 1992 and 1997 primarily to replace old buses, extend and construct rail systems, and rehabilitate and maintain aging bus facilities and rail lines.

IMPORTANT MULTI-MODAL AND COST-SHARING ISSUES ARE NOT ADDRESSED IN THE PROPOSAL

We support a multi-modal strategy to address the nation's transportation needs but believe that obstacles, including the absence of clearly defined mass transit needs, could threaten the successful implementation of funding flexibility between transit and highways. In addition, we believe that caution should be exercised in making an immediate shift of financial responsibilities to transit authorities. Such a shift may adversely affect service levels or ridership costs. The proposed federal share reduction also does not address the full impact of the significant financial investment that transit authorities will incur to implement the Americans with Disabilities Act of 1990 and the Clean Air Act Amendments of 1990.

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[3] Specifically, the Rostenkowski test of the Byrd Amendment to the Federal-Aid Highway Act of 1956, as reflected in the Internal Revenue Code, applies to the mass transit account.

Obstacles Exist to Implementing Multi-Modal Flexibility

The reauthorization proposal would provide greater flexibility to state and local governments in allocating federal funds between mass transit and highway projects. We support a multi-modal strategy to address surface transportation infrastructure and congestion needs. However, as we reported in 1988, the ability to successfully implement a multi-modal strategy is not well served by DOT's practice of preparing separate budget and needs studies for mass transit and highways.[4] The proposal does not address mechanisms to remove the barriers for developing an integrated transportation strategy and effectively evaluating mass transit and highway needs.

Under the proposal, as long as a dedicated source of funds (balanced local approach) exists, mass transit would be eligible for urban/rural highway program funds (about $22 billion plus 15 percent of highway Interstate funding that could be shifted to the urban/rural highway program), and highways would be eligible for all mass transit funding except for new starts (about $14 billion). UMTA officials explained that a balanced local approach means that states will need a dedicated source of funds that can be used for both transit and highways.

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[4] Transition Series: Transportation Issues (GAO/OCG-89-25TR, Nov. 1988).

According to the American Association of State Highway and Transportation Officials' data, only a limited number of states have funds that can be used interchangeably for mass transit and highways. Also, most of UMTA's assistance is provided directly to local transit authorities, while highway assistance is provided to the states. Therefore, coordinated planning and project selection by federal, state, and local governments will be difficult, and the mass transit industry is concerned that states will place greater emphasis on highways to the detriment of mass transit. To avoid modal bias with highways and meet the flexibility envisioned in the proposal, it will be extremely important to encourage states to address traffic congestion through transit alternatives.

Moreover, no comprehensive federal assessment of the nation's mass transit needs exists. The Federal Highway Administration routinely reports on the capital investment requirements for the nation's highways and bridges, including long-term projections of investment requirements. UMTA, however, compiles information only on the cost of maintaining the existing transit infrastructure--which it estimates to be between $3 billion and $3.7 billion annually--but does not include transit projects currently under construction or future transit needs. Also, the criteria used to assess transit and highway projects may further exacerbate choosing between the two modes. For example, one transit objective is to move people out of their cars, and one highway premise is to build roads that can accommodate more and more cars. DOT does not currently have plans to provide guidance to the states, localities, and grantees to implement multi-modal flexibility. When taken together, these factors raise questions about the federal government's ability to implement intermodalism and develop a long-term investment strategy to ensure its success.

We did identify an area of UMTA's proposal that gives states flexibility while it protects some transit funding. UMTA currently provides states with separate funding earmarked for (1) formula grants to areas with populations under 200,000, (2) the rural program, and (3) the elderly and handicapped program. Under the proposal, UMTA would award a lump sum (about 10 percent of UMTA's fiscal year 1992 funding) to the states that the governor can allocate at his/her discretion among the three programs. Before mass transit funds for rural and small urban areas can be shifted to highways, the state must certify that no unmet transit need exists in the area, and the area must concur with the state's certification. This provision contains safeguards that, if properly implemented, may protect against the inherent bias toward highways.

Caution Needed In Reducing the Federal Contribution

UMTA proposes to shift a larger share of the burden of financing transit programs to states and grantees by reducing the federal funding share and eliminating some federal operating assistance. Under the proposal, the maximum federal contribution for capital transit projects would be reduced from 80 percent to 60 percent and for new construction projects, from 75 percent to 50 percent. Depending on the type of transit program, transit authorities currently contribute as little as 20 percent to 25 percent of eligible project costs. UMTA does not view the proposal as a significant change because it already provides only 60 percent on new mass transit projects to some grantees and this level would be consistent with the proposed funding for highway's urban/rural program. However, it is less than the minimum 75 percent federal share proposed for highways of national significance.

Although we agree that benefits may be gained by increased state and local financial contributions, reductions in the federal share should be addressed within the full context of financial realities in the transit community. On one hand, increasing state and local financial interests could encourage transit authorities to build cost-beneficial projects, seek cost-effective alternatives, maintain the existing infrastructure, and minimize waste and misuse of federal funds. On the other hand, some transit authorities may not be able to absorb a larger proportion of costs while maintaining service levels and may find it difficult to attract new riders that now rely heavily on automobiles or may lose riders to automobiles because of price considerations.

Under its current program, UMTA provides about $800 million annually in operating assistance based on the size of the urban area and the transit authority's prior years' grants. Transit authorities use about 70 percent of this assistance for salaries and other labor costs; about 10 percent for materials and supplies; and the remainder for utilities, insurance, and other expenses. UMTA proposes to eliminate operating assistance for large urban areas with populations of 1 million or more. Urban areas with populations less than 1 million could include materials and supplies as capital maintenance items and use up to 25 percent of their section 9 apportionment or an amount equal to their fiscal year 1991 operating assistance, whichever is greater, for such items.

According to UMTA, the largest transit authorities rely the least on federal operating assistance. However, we estimate that the 30 largest urban areas (as defined by UMTA) include about 176 transit authorities that vary both in size (as measured by the number of vehicles) and their reliance on federal operating assistance. Although 9 of the largest transit authorities receive less than 10 percent of their operating assistance from UMTA, 94 receive between 10 percent and 19 percent, and 73 rely on UMTA for 20 percent or more of their operating assistance. These and transit authorities in urban areas of less than 1 million population will either have to reduce their operating expenses, obtain greater state or private sector financing, or increase funding from other sources, such as the farebox.

The proposal also does not fully consider the additional financial burden that will be placed on transit authorities to comply with the recently enacted Americans with Disabilities Act of 1990 and the Clean Air Act Amendments of 1990. UMTA would provide only $50 million annually for transit authorities to implement these new legislative requirements. However, the transit industry estimates that the financial burden to comply with these laws will be significant. For example, 18 of the largest transit operators estimate that about $1.2 billion would be needed annually to convert their bus fleets to alternative fuels or other clean emission technologies to comply with the Clean Air Act Amendments. In addition, transit operators cite DOT estimates that complying with the Americans with Disabilities Act will cost between $850 million and $1.3 billion annually. The transit community is concerned that the majority of these costs will be shifted to states, localities, and transit riders.

SOME FEDERAL MASS TRANSIT FUNDS ARE VULNERABLE TO WASTE AND MISMANAGEMENT

With the nation's mass transit needs outstripping available funding, it is critical to ensure that UMTA grantees use and manage funds properly. Between October 1987 and March 1991, DOT's OIG has questioned over $300 million in grant expenditures, including instances where grantees double-billed UMTA, failed to reimburse UMTA when costs were less than expected, wrote off UMTA-funded inventories because grantees could not determine whether parts had been used, lost, or stolen, or did not promptly repay unneeded funds upon completion of the project (attachment III summarizes the questioned costs in the 65 reports we examined).

For example, under UMTA guidelines, transit authorities with more than 50 buses are allowed to use federal funds to purchase enough buses to cover service during their peak period of operation, plus 20 percent more buses as spares. The OIG found that transit authorities had spent $85.6 million for excessive buses. In addition, the OIG found that transit authorities had charged UMTA $33.8 million for costs, such as extended warrantees and rental of publicly-owned buildings, that are not eligible for federal funding. Although the OIG bases its findings on criteria that it believes is clearly prescribed by law, some OIG findings relate to requirements that UMTA or the transit authorities believe may not be needed or are subject to differing interpretations.

On the basis of our prior work (attachment IV discusses some of these reports) and that of the OIG, the Secretary identified UMTA's inadequate oversight of grantees as a material internal control weakness in his 1989 and 1990 reports to the President required by the Federal Managers' Financial Integrity Act of 1982, as amended. UMTA attributed the oversight weaknesses to staffing shortages and requested additional staffing authority to correct the deficiency.

Our current work in four UMTA regions covering about 60 percent of the grants shows many instances in which inadequate grantee management systems contributed to the inappropriate use of federal funds. On paper, UMTA has several tools to oversee grantees' activities, including financial and progress reports, triennial reviews, procurement reviews, annual audits, and contractor-provided oversight. However, UMTA relies primarily on grantees' certifications that they are financially and technically capable of managing mass transit projects and that they will comply with federal procurement and other requirements to ensure that funds are properly spent. UMTA does not verify that grantees have adequate systems to meet their commitments and generally does not require grantees to take corrective actions or use its enforcement authorities, such as withholding funds or requiring reimbursement, when problems are found.

Under the proposal, UMTA would obtain 31 additional staff and increase its use of contractors to oversee grantees. According to UMTA's Director of Personnel, 26 of the new staff will be located in regional offices and 5 in UMTA headquarters. The director indicated that the new regional staff will be used primarily for grant oversight or to provide technical assistance to grantees, and one or two of the new headquarters staff will be assigned to the Office of Grants Management. UMTA also proposes to expand its use of contractors to conduct safety, procurement, management, and financial compliance reviews.

We believe that oversight problems go beyond staff shortages. Even with the additional resources, safeguarding federal transit funds will depend on several factors. First, grantees must have effective management systems. Second, UMTA must take a proactive oversight approach rather than rely on grantees' assurances and use the full scope of its monitoring tools and enforcement authorities, such as withholding funds. Without such actions, the significant federal investment in mass transit will remain at risk.

However, we found no evidence in our ongoing work--nor in UMTA's reauthorization submission--that UMTA recognizes the systemic nature of these very serious oversight problems. UMTA has not articulated the actions that it must take to evaluate management controls of grant recipients to ensure that they are consistent with federal requirements for the proper and efficient use of funds and ensure that grantees implement corrective actions before approving additional funding requests.

We are also concerned that UMTA's proposal does not change its position concerning the scope and depth of triennial reviews. The

Urban Mass Transportation Act states that the triennial review is to be "... a full review and evaluation of the performance of a [grant] recipient in carrying out the recipients's program, with specific reference to compliance with statutory and administrative requirements ..." In March 1989, we first reported our concerns regarding the limited scope of triennial reviews and recommended that UMTA include tests of selected procurements to ensure that proper procedures were in place and being followed.[5] Although UMTA views triennial reviews as a primary mechanism to monitor grantees, UMTA did not implement our recommendation and has not expanded the scope of these reviews. UMTA's position is that the reviews are not audits, and it intentionally limits their depth. UMTA's proposal will continue the status quo, and barring a change in UMTA's position or congressional intervention, triennial reviews will not have sufficient depth to evaluate a grantee's "compliance with statutory and administrative requirements."

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In conclusion, we support the concept of defining mass transit objectives in the context of a nationwide surface transportation system. However, the disproportionate funding increase for mass transit relative to highways--1 percent versus more than 25 percent under the 5-year proposal--tends to support the perception that transit is less important than highways. As long as this disparity exists, the nation may encounter considerable difficulty achieving the Administration's policy to integrate transportation systems and move people from cars to transit in congested areas.

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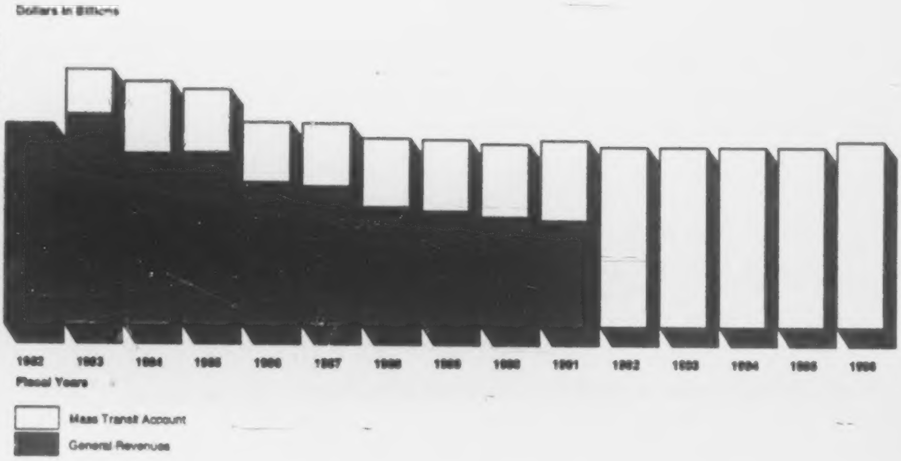
[5] Mass Transit Grants: UMTA Needs to Improve Procurement Monitoring at Local Transit Authority (GAO/RCED-89-94, Mar. 31, 1989).

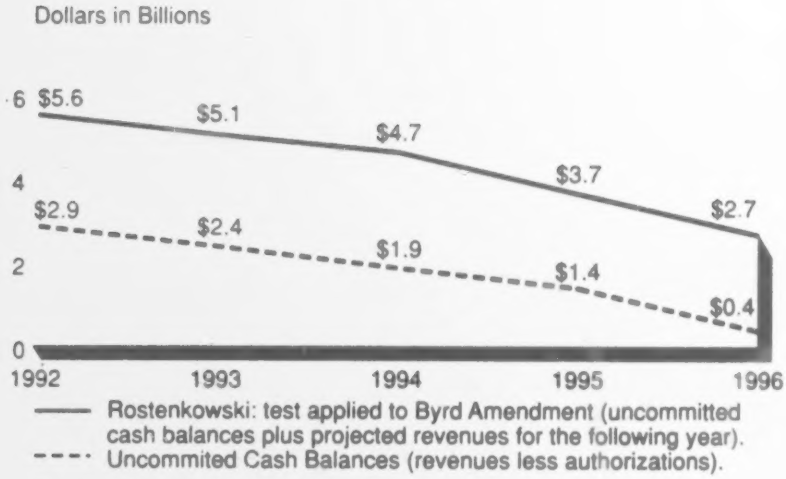
In addition, since federal transit funds could decrease in real dollars under UMTA's proposal and large demands exist for urban and rural transit systems, it is particularly important that UMTA ensures the judicious, prudent, and effective use of scarce resources and that grant recipients manage federal funds in the most efficient and economical manner possible. In this regard, UMTA needs to give particular attention to program planning and oversight to avoid the deficiencies of the present system and to ensure the best use of limited federal transportation dollars in the future.

We appreciate the opportunity to submit our views.

Sources of UMTA Funds: Fiscal Years 1982-91 and Proposed Fiscal Years 1992-96



Proposed Mass Transit Account Status Under Byrd Amendment (fiscal years 1992-96)



Source: U.S. DOT, Office of the Secretary.

ATTACHMENT III ATTACHMENT III

SUMMARY OF COSTS QUESTIONED IN 65 DOT OIG REPORTS
(ISSUED FROM OCTOBER 1987 TO MARCH 1991)

Excess Equipment $85.6 million

This category includes the cost of excessive buses bought with UMTA funds in seven regions. According to UMTA guidelines, transit authorities are allowed to use federal funds to purchase enough buses to cover service during their peak period of operation, plus 20 percent more buses as spares. It also includes funds used to purchase excess bus parts.

Equipment Not Used for Intended Purposes $74.1 million

This category includes costs to replace buses that were used solely to transport students, in direct contradiction of UMTA regulations. Under UMTA regulations, buses purchased with federal funds are to be used for public mass transit. The buses can be used to transport students if the bus lines are also open to the public. In these cases, open ridership was not maintained.

Prematurely Retired or Improperly Maintained Equipment $36.1 million

This category includes the cost of buses and railcars that were retired prior to UMTA's prescribed service life, could not be accounted for, or were bought and not used.

Ineligible Costs $33.8 million

Costs were ineligible for reimbursement under UMTA guidelines yet were still billed to UMTA. Amount also includes additional interest costs.

Possible Cost Savings $30.2 million

These are cost savings that could have been realized if value engineering techniques or cost analysis had been used during construction.

Improper Expenditures $22.7 million

Funds were used for personal purposes, improper contracting, excessive grants, excessive profits made by a contractor, and to purchase property that was later lost or stolen. Amount also includes unexplained adjustments of financial records, stolen revenues, and overcharges.

Unsupported Costs $18.4 million

This category includes costs questioned because documentation did not adequately support funds spent, allocation methods used, or the cost analyses performed.

Unexpended Program Funds Not Deobligated, or Obligated Prior to Need $15.6 million

Funds were either not repaid promptly upon completion of the project or obtained prior to need. UMTA was unable to allocate the funds to other projects and interest was lost.

Local Grant Share Requirements Not Met $7.4 million

These are federal funds spent on projects where grantees did not meet the required nonfederal funding match.

Unclaimed Share of Lawsuit $0.4 million

This category represents UMTA's share in a lawsuit filed by a grantee. The grantee overpaid a contractor that subsequently filed for bankruptcy. The grantee sued the contractor, and UMTA is owed a percentage of any settlement.

OTHER GAO REPORTS ON UMTA

UMTA Needs Better Assurance That Grantees Comply With Selected Federal Requirements (GAO/RCED-85-26, Feb. 19, 1985)

We reported that UMTA needed better assurances that grantees comply with federal requirements. We also supported UMTA's use of triennial reviews mandated by the Surface Transportation Assistance Act of 1982. At the time of our work, UMTA could not provide us with information on the focus of the reviews or how they would be conducted. Nevertheless, we believed that triennial reviews would afford UMTA an opportunity to supplement its existing mechanisms for ensuring grantees' compliance with federal requirements. We recommended that UMTA (1) require triennial reviews to emphasize compliance with regulations not routinely covered by OIG and independent audits, (2) disseminate legal rulings on UMTA's regulations to increase grantees' understanding of and compliance with the requirements, and (3) establish guidelines for appropriate enforcement action when noncompliance is identified.

20 Years of Federal Mass Transit Assistance: How Has Mass Transit Changed? (GAO/RCED-85-61, Sept. 18, 1985)

We examined transit's role in helping to mitigate various social, economic, and environmental problems confronting urban areas. We found that (1) federal funds have helped reverse the service and ridership declines, (2) ridership gains nationwide had not increased transit's share of the commuting market, and (3) service costs had grown rapidly. We concluded that mass transit helped address a number of urban problems of congressional concern, such as traffic congestion; air pollution; energy consumption; and transportation for low-income, elderly, and handicapped persons.

Mass Transit Grants: UMTA Needs to Improve Procurement Monitoring at Local Transit Authority (GAO/RCED-89-94, Mar. 31, 1989)

We reported that the Southeastern Pennsylvania Transportation Authority (SEPTA) had major procurement system problems, and UMTA had not detected these problems. Our report disclosed that UMTA's triennial review of SEPTA did not include a detailed procurement assessment, yet the review indicated that SEPTA had complied with procurement requirements. Further, single annual audits performed by public accounting firms did not include an evaluation of SEPTA's compliance with federal procurement requirements. We concluded that UMTA's monitoring procedures were inadequate to detect the weaknesses at SEPTA and made several recommendations to better focus UMTA's monitoring to detect procurement deficiencies.

Mass Transit Grants: UMTA Needs to Increase Safety Focus at Local Transit Authority (GAO/RCED-90-41, Dec. 1, 1989)

We reported that SEPTA had experienced an increase in motor bus, trolley bus, and streetcar accidents and injuries. We also found that UMTA had not adequately assessed SEPTA's safety conditions and did not consider safety in approving federal funds for SEPTA projects. We also reported that we were unable to determine the specific factors that UMTA's Administrator considered in awarding discretionary grants to SEPTA because the bases for the decisions were not documented. We recommended that UMTA, among other things, obtain more complete and accurate information on SEPTA accidents and injuries to use in evaluating SEPTA's safety conditions during triennial reviews and in selecting projects for funding. In addition, we recommended that UMTA document its discretionary funding decisions.

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April 17, 1991 **Staff Discussion Draft**

METROPOLITAN TRANSPORTATION INITIATIVE

This year, Congress can enact a Surface Transportation Act that helps clean our air, clear our roads, and conserve our natural resources.

√ Many major metropolitan areas create serious health risks for residents by failing to meet federal air quality standards.

√ Overreliance on the automobile chokes metropolitan areas with traffic congestion that causes hundreds of millions of dollars in economic loss.

√ Continued dependence on imported oil poses unnecessary ecological dangers and compromises the country's national security.

Completion of the Interstate Highway System and enactment of the Clean Air Act combine to create the need to revamp federal transportation policies that affect metropolitan areas with severe traffic congestion and air pollution.

We cannot achieve mobility and clean air goals without a dramatic increase in public transportation. But, under realistic budget projections, it is very unlikely that UMTA programs will receive commensurate funding increases in in the foreseeable future. Congress therefore has to do more than enact higher transit authorization levels. That may very well offer little real benefit to local transit systems, since budget pressures could easily block increases in actual appropriations.

Increased UMTA authorizations must be joined with two vital changes in policy.

√ **Metropolitan areas must be permitted to use the Highway Account of the Highway Trust Fund to finance transit and intermodal capital projects.** That is an important change from past policy. But we now have to use federal transportation assistance in ways that most efficiently improve urban mobility rather than in narrow categories, if we are to meet the transportation needs of the 21st century.

- √ **UMTA must enable a grantee to launch and manage a long-term capital project in a way that requires a smaller up-front commitment of budget authority.** UMTA simply will not be able to support the needed increase in transit services with its current capital investment procedures. The system is breaking down. Applications that are now in preparation lay claim to Section 3 funding for the next quarter century. UMTA tries to cope by chopping projects into small segments and creating hurdles to string out project approvals -- both of which hinder the expansion of transit and run up long-term project costs. Grantees try to expedite project approval by circumventing UMTA procedures through advance earmarking of funds by Congress -- a solution that can only work for a few projects and usually forces scarce UMTA dollars to sit idle for years.

These pages outline a four-point metropolitan transportation initiative to make those needed changes in policy. The initiative would:

- √ give each metropolitan area responsibility to develop a long-term transportation strategy that integrates alternate modes of transportation, giving particular attention to transportation needs that affect national objectives;
- √ assure each metropolitan area of its fair share of federal highway and mass transit assistance up front, and enable the area to select the projects that carry out its transportation strategy most efficiently;
- √ create a "level playing field" for local choices of transportation projects, removing conditions that create improper biases against transit when it is the most efficient, long-term use of transportation resources; and
- √ open the way to improved methods of project management and financing so that state and local governments can implement their transportation strategies more quickly and cheaply.

These improvements in metropolitan mobility will not diminish or interfere with transportation assistance for rural or other non-metropolitan areas.

1. Metropolitan Transportation Strategies

Senate legislation would require each major metropolitan area to develop a Metropolitan Transportation Strategy that links planning and budgeting. Comprehensive system planning would be done at the metropolitan level in conjunction with decisions to allocate funding among transportation projects. A Strategy would:

- √ consider all major transportation modes within a metropolitan area as a coordinated system;
- √ relate transportation decisions to requirements for air quality, land use, economic and community development, and natural resource conservation;
- √ provide for more rational trade-offs among alternate modes for achieving long-term transportation objectives; and
- √ provide more open participation in transportation decisions by local jurisdictions and other interested parties.

The requirement for strategies should be phased in over a five-year period, preferably beginning with metropolitan areas that have the greatest problems of compliance with clean air standards. Metropolitan areas would have incentives to develop approved metropolitan transportation strategies, including (a) preference in the approval of projects contributing to clean air and (b) authority to decide on the transfer of federal assistance among eligible highway and transit uses.

In some cases, these expanded responsibilities may prompt a metropolitan area to strengthen or restructure its existing metropolitan planning organization (MPO).

Boundaries of metropolitan areas would be designated locally and approved by the Secretary after considering the requirements of comprehensive transportation planning. The costs of developing the metropolitan transportation strategies would be eligible for reimbursement out of the highway and transit accounts of the Highway Trust Fund on a pro rata basis.

Contents of Strategy. A Metropolitan Transportation Strategy would do the following.

√ Identify transportation facilities (major roadways, mass transit and multimodal facilities) that should function as an integrated metropolitan transportation system. The strategy would focus on those facilities that serve important national and regional transportation functions, such as (1) moving goods within the metropolitan area and among distant markets; (2) enabling people to move quickly to and from home, jobs and other destinations; and (3) making proper connections among complementary modes of transportation (e.g. with linkages between highway, transit systems, ports, railroads and airlines).

√ Assess major demands on the metropolitan transportation system, projected over the subsequent 20 year period. The strategy would take account of how those transportation demands will affect State and local decisions related to air quality, energy conservation and land use.

√ Project capital investment required to preserve the existing metropolitan transportation system, including requirements for resurfacing, restoration and rehabilitation of major roadways and comparable activities to preserve public transit facilities.

√ Provide a long-term plan describing proposed state and local actions to meet metropolitan area transportation demands. The plan would identify methods for opening new modes of transportation or expanding the capacity of existing facilities (e.g. widening of major roadways, designation or construction of High Occupancy Vehicle (HOV) lanes, creation of express bus service, extension of existing rail lines or creation of new fixed guideway facilities).

√ Identify, in order of priority, those highway and transit projects that the metropolitan area intends to implement over the ensuing one-year and five-year period. Federal assistance required for the listed projects could not exceed the federal assistance the metropolitan area reasonably expects to receive, as determined by a method established in statute. This part of a Strategy refines the Transportation Improvement Programs (TIPs) required under existing law.

Strategy Development. Metropolitan Transportation Strategies would have to be developed through collaboration among state and local government, the private sector and the public.

The institutional framework for developing a Metropolitan Transportation Strategy would be built on the existing planning processes for highways and mass transit, including the currently designated Metropolitan Planning Organizations. However, in some cases, the current institutional arrangement may have to be strengthened to provide:

√ authority both to develop the transportation strategy and decide how federal assistance shall be used to carry out the strategy;

√ appropriate representation in decisionmaking by State, regional and local governments as well as transportation agencies serving the metropolitan area; and

√ formal consultation with the private sector (e.g. environmentalists, consumer organizations, area employers and developers) and public hearings before a Strategy is adopted.

States would be required to prepare comparable state strategies that incorporate the strategies prepared by metropolitan areas and provide a long-term transportation agenda for "balance-of-state" (e.g. rural, ex-urban) areas.

The Secretary would be authorized to provide additional planning funds where the Secretary determines that such funds are appropriate to encourage adjacent states and metropolitan areas to cooperate in developing regional solutions to transportation needs projected during a long-term planning horizon, say, 20 years.

2. Flexible Use of Federal Transportation Assistance

Senate legislation would require that a fair share of federal highway and transit funding be allocated to each major metropolitan area. The metropolitan area would be given authority to decide the use of those funds -- whether for roadway, transit or multimodal projects -- to carry out its metropolitan transportation strategy most effectively. Federal law would be amended to remove elements that unduly bias local decisions.

Since the Senate legislation would significantly expand a metropolitan area's ability to use Highway Trust Fund resources for transit investment, the bill will include protections to make sure that basic highway needs continue to be addressed.

Boundaries to funding flexibility. Flexible transfer of funding between highway and transit uses would be directed to the improvement of mobility and air quality within the country's most congested regions. Relevant provisions would be designed not to interfere with transportation decisions that are not related to this objective. In particular, the proposed flexibility would be bounded as follows.

- √ The metropolitan initiative would be designed not to interfere with highway or transit funding for rural and other non-metropolitan areas. For example UMTA's Section 18 rural transportation program and Section 16(b)(2) elderly/handicapped program, would be unaffected. In these areas, current practices and arrangements would continue, except, of course, as they may be affected by other provisions in a new bill.
- √ Funds needed for basic maintenance of federally assisted transportation infrastructure would be protected. The legislation would give a metropolitan area incentives to choose the best alternative for improving mobility but not to defer basic maintenance on existing facilities. In particular, funding needed to repair and maintain the Interstate highway system, federally-assisted bridges and mass transit facilities would be unavailable for transfer to other uses. For the purpose of this set-aside, the term "basic maintenance needs" would have to be carefully defined to ensure that a metropolitan area would have control of federal assistance available for system capacity expansion. Under some definitions, basic maintenance needs would far exceed total funds that are likely to be available.
- √ Highway funds and transit capital assistance would not be available for transit operating assistance.
- √ New flexibility would be provided only for federal transportation funds that are allocated geographically by formula. This would include the major metropolitan areas' fair share of assistance under the UMTA Section 9 block grant and federal highway assistance.

Specified funding level for metropolitan area. Senate legislation would provide each major metropolitan area with a specified share of transportation funds to allocate in accordance with its metropolitan transportation strategy.

- √ UMTA Section 9 and other formula funds would be allocated to grantees as they now are. They would be used for eligible projects as specified in the metropolitan strategy.
- √ Highway assistance from FHWA would be allocated to the State as it now is. The State would be required to set aside a fair share of funds for each major metropolitan area within its boundaries. A metropolitan area's set-aside would be used for eligible projects as specified in the metropolitan strategy. Such a set-aside is especially important now to prevent States from diverting highway funds away from metropolitan areas in response to new constraints on highway construction created in the Clean Air Act. The legislation would establish general guidelines requiring that the metropolitan set-aside be determined by objective measures of transportation need, such as population, and that the special needs of non-metropolitan areas be taken into account. As under the FAUS program, the Secretary would also develop a default formula that a state could adopt if it wished.
- √ Funds set-aside for a metropolitan area would remain available for obligation for the same period of time as under current law. If funds are not obligated within that period, they would be recaptured at the national level to be reallocated among all states. This is current practice under the Federal Aid to Urban Systems (FAUS) program. This requirement builds needed pressure on all parties -- State and local officials -- to make accommodations and reach timely agreement on project selection.

Note that these reforms would affect project selection only. They would not otherwise change the administration of transit and highway assistance. That is, state highway departments would continue to receive grants and administer contracts for road projects in major metropolitan areas as they do now, and mass transit agencies would receive grants and administer contracts for transit projects as under current practice.

The changes would integrate planning and budgeting. Transportation strategies would include a metropolitan area's designation of projects that are to receive the federal assistance made available to the metropolitan area. This change would make it more likely that federal assistance is provided to the highest priority transportation projects in the metropolitan area. State officials would participate in the development of a strategy but would not be able to reduce a metropolitan area's transportation funding if the State disagreed with metropolitan transportation priorities.

Eligible Activities. A metropolitan area would have discretion to use its set-aside funds for any project eligible under current law. A metropolitan area would be given special authority to use a specified portion, say 5-10 percent, of its highway and transit assistance for multimodal or intermodal projects that may, for unforeseen reasons, not be eligible under federal regulations then in effect. Such projects would have to further national transportation objectives. A project assisted with a metropolitan area's set-aside would be subject to any UMTA or FHWA requirements that apply to the type of project selected.

Transition. During a 5-year phase-in period, the requirement to prepare a metropolitan transportation strategy would be applied first to areas with the greatest problems of congestion and air pollution. The Secretary would be required to apply the requirement to not less than 15 percent of all metropolitan areas each year for four years and to all remaining areas in the fifth year. Metropolitan areas that have not completed their Strategies would continue to receive funds in accordance with current categorical limitations and application procedures.

3. Level Playing Field for Project Selection

Senate legislation would eliminate federal requirements that give a metropolitan area an incentive not to choose transportation projects the area determines are the most effective solutions to its mobility and clean air needs.

Availability of Matching funds. Transit funds would be eligible for transfer to highway uses -- or vice versa -- only where the source of State or local share funding is available equally for both highway and transit projects.

The Secretary would be required to ensure that either (a) sources of State and local matching funds are equally available for highways and transit or (b) dedicated sources of matching funds are available for highway and transit projects in a way that avoids any bias against the selection of transit projects.

The Administration has proposed such a provision because high levels of dedicated matching funds are often available for highway projects but not for transit projects.

Matching Ratios. Uniform state/local matching requirements would be established for highway and transit projects so that the required match will be a neutral factor in project selection.

- √ The specific matching ratio and the activities to which the ratio would apply are yet to be decided in upcoming discussions among members of the committees of jurisdiction. The Administration would continue current disparities, proposing a 60/40 match for transit expansion and urban/rural roadway projects, a 75/25 match for primary, secondary and rural highway projects, and a 50/50 match for transit starts. Senate legislation would move away from arbitrary federal preferences and toward the encouragement of integrated, multimodal transportation systems designed at the State and local level.

- √ A lower state/local match would be provided for resurfacing, restoring and rehabilitation needed to maintain the functional capacity of the Interstate Highway System. A comparable matching requirement would be provided for multimodal projects that are designed to alleviate or remove congestion on a specified Interstate route through a major metropolitan area. Funding to expand the capacity of the Interstate within a major metropolitan area would be available for allocation and transfer to other modes by the metropolitan area. Eligible activities would be expanded to include park-and-ride lots, express bus service and transit line extensions, if it can be shown that a substantial portion of the new ridership will come from the congested Interstate. HOV lanes, including those used for bus service, would continue to be eligible.

- √ A higher state/local match could be established for ongoing maintenance of transportation facilities.

Overmatch policy. UMTA's current "overmatch initiative" under Section 3 discretionary grants would be redirected.

Currently, UMTA gives preference to applications with state or local funding that is substantially above the required non-federal match. That policy is intended to ration scarce Section 3 resources and give preference to projects that are of very high priority at the local level. In practice, however, the policy places relatively poor areas at a disadvantage. And it greatly exacerbates the bias against transit projects by driving the required state/local match well above the ratio established by Congress.

Senate legislation would amend the Section 3 Discretionary Grant program for new starts as follows.

- √ Give preference to applications that have high levels of funding not only from non-federal sources but also from other federal transportation assistance that a state or metropolitan area is allocating to the project. A metropolitan area could make such funds available through transfer from highways or other transportation uses.
- √ Use Section 3 as gap-closing assistance for high priority capital projects that are too large to be accommodated by other available assistance. Section 3 assistance typically would not be the sole source of federal assistance for a new start project. This would enable Section 3 to assist a larger portion of the pipeline of impending projects.
- √ Provide that Section 3 funds would be awarded where they are needed to implement key projects and are not just spread around in a series of de minimis grants.
- √ Require UMTA to make adjustments for differences in local land and construction costs when using cost-effectiveness measures in ranking projects for selection.
- √ Prohibit UMTA from using a state/local overmatch as a rationing device where such practice would create a bias against the selection of transit as a way to improve mobility within a metropolitan area.

Application review and approval. Senate legislation would apply similar review requirements to comparable projects that are designed to expand the capacity of a metropolitan transportation system, whether the projects are for roadways or transit.

Current practice creates a significant bias against public transit by subjecting transit capital projects to alternatives analysis and other preliminary requirements that are more costly and time consuming than those required for highway projects.

Senate legislation would do the following.

- √ Subject comparable transit and roadway projects to the same requirements for environmental, cost and other alternative analyses. This would mean relieving some review requirements that now delay transit projects. The metropolitan project selection process would in most cases bring more careful consideration to roadway construction within congested metropolitan areas.

- √ Require applicants to demonstrate that the project has been designed with consideration to related policy areas. Transit projects would be required to demonstrate that land use zoning will permit densities that increase system ridership. Highway and transit projects would be required to demonstrate that the proposed project is the most effective way to improve mobility and reduce air pollution.

- √ Amend UMTA's cost-effectiveness analysis to take into account the marginal costs of increased congestion and air pollution that would result from non-transit alternatives. In particular, UMTA would be required to compare transit investments with the cost of developing auto facilities that would provide the same level of capacity increase within the study corridor. UMTA's cost-effectiveness threshold calculations would include such factors as:

    - Cost of new roadway facilities that would provide congestion reduction equal to the transit investment;

    - Long-term costs of offsetting any marginal increase in air pollution caused by the transportation alternative under consideration;

    - Added cost of auto-serving facilities, such as parking lots;

    - Indirect costs associated with each alternative being compared, such as increased air pollution, delay caused by congestion, property damage and personal injury from projected accidents, and increased importation of foreign fuel.

4. Improving Capital Investment

Senate legislation would enable mass transit operators to manage and finance capital investment projects more efficiently. Procedural reforms would comply with federal budgetary controls and reduce the cost of transit investment. Where a metropolitan area chooses to use highway funds for transit, the assistance would be administered by UMTA according to regulations then in effect.

The reforms would be available for new starts, major rail extensions, rail modernization and major fleet investments. The reforms would provide operators with more predictable long-term funding commitments so that they can implement major capital projects more rapidly and cheaply. Transit projects could be carried out with some of the financial flexibility that has long been available to highway projects.

UMTA now has two ways to respond to local needs for long-term funding commitments.

√ Advanced construction contracts (ACCs) were authorized in the 1987 Surface Transportation Act to permit grantees to proceed with approved projects using their own resources. UMTA guarantees to reimburse the grantee for expenses and debt service up to the amount of inflation. ACCs have been used in very few cases and have proven to be less useful than intended. ACCs force grantees to bet that inflation will be higher than their debt costs and unanticipated cost increases. If grantees are wrong, they must cover any losses. ACCs are limited to the term of the authorization bill, so they become less useful toward the end of the authorization period.

√ Full funding grant agreements (FFGAs) have been developed administratively by UMTA primarily to limit federal costs. UMTA and the grantee enter into a contract that commits the grantee to complete a project segment within a specific time period and for a specified cost. The grantee is required to complete the project with the grantees own funds if federal appropriations are not available. FFGAs are a useful tool, but they are still not well designed to enable grantees to manage long-term projects most efficiently. They force grantees to horde UMTA funds in advance and after receipt of an FFGA. FFGAs are limited to the term of the authorization bill, so they become less useful toward the end of the authorization period.

Senate legislation would provide three important reforms: improvement to full funding grant agreements, establishment of turnkey systems procurement, and multi-year procurement of rolling stock.

A. Improvement to Full Funding Grant Agreements

Early Systems Work Agreements. UMTA would be authorized to enter into contracts that permit a grantee to launch and manage initial systems work that should be done even before a grantee is able to enter into a full funding grant agreement.

- √ The systems work agreement would provide for UMTA reimbursement of costs related to specified activities, such as early design and engineering, land acquisition and procurement of long lead-time system elements. Such acquisition or procurement could proceed as soon as relevant specifications are determined, if it would accelerate project completion and reduce long-term costs.

- √ The contract would cover a specified period of time. In the event the grantee cancels the project or otherwise substantially fails to comply with the contract terms, the grantee would be required to repay UMTA costs plus interest and penalty charges, except for circumstances clearly beyond the grantee's control. Grantees, however, would not be required to repay those costs of preliminary design and engineering that are not repaid in similar circumstances under the federally assisted highway program. This parity would create a more level playing field in the selection of mobility improvement projects.

Full Funding Grant Agreements would be authorized in statute, as requested by the Administration, with refinements to make the FFGA useful not only for limiting UMTA costs but also for improving a grantee's project management and financing.

- √ UMTA would enter into long-term contracts to fund approved capital projects. An FFGA would cover project expenses plus debt service. The contract could cover the full period required to complete the project or the term of long-term debt issued to finance the project, whichever is longer.

- √ Under the contract, UMTA would obligate funds sufficient for an initial implementation period -- say, 2-5 years -- and commit to obligate funds for subsequent increments conditioned only upon the availability of funds provided by Congress. The contract would provide for reimbursement of additional borrowing costs incurred by the grantee if future funding obligations are not provided in a timely fashion.

- √ The contract would limit UMTA's obligation to the specified project costs and extraordinary costs that are beyond the grantees control.

- √ Debt service reimbursement would be limited to the lowest borrowing costs available to the grantee -- they would not be capped by inflation. Senate legislation would thus avoid problems now inherent in advance construction contracts, which inappropriately force grantees to bet on inflation. The legislation should be designed instead to promote sound financial management decisions.

General limitations would apply to both types of contracts.

- √ The total value of outstanding commitments -- firm and contingent -- would be limited to a statutorily established percentage of the unobligated balance in the Mass Transit Account of the Trust Fund. Contracts between UMTA and the grantee would therefore be limited no longer arbitrarily by the term of the current authorization but, instead, appropriately by the level of resources that Congress, under current law, has provided for the purposes covered by the contracts. The unobligated balances in the Transit Account would be available to fulfill the contract terms even in the unlikely event that mass transit assistance is terminated.

- √ The contracts provided above would be available only to metropolitan areas that:

    - have an approved metropolitan transportation strategy specified above; and

    - agree to forego statutory earmarking of funds for the project.

Such a contract would cover a system segment that is determined to be the most economically viable segment for long-term operation. That typically would consist of more than the currently approved "minimum operable segment".

B. Turnkey Systems Procurement

√ UMTA would be authorized to approve system procurement on a "turnkey" or "Build-Operate-Transfer" (BOT) basis, under which a grantee contracts with a vendor to (1) build a transit system that meets specified performance criteria, (2) operate the system for several years to ensure acceptable performance of the technology, and then (3) transfer the system to the operator. This method is used increasingly by municipalities for procurement of high technology systems, for example, by U.S. cities for major solid waste and energy projects, by airports for people-mover systems, and by European cities for major transit projects. This method is necessary for the procurement of automated guideway systems, which involve a package of several closely integrated technologies. Such systems are vendor-specific -- typically, each vendor uses a different technology. As a result, environmental impact analysis and engineering cannot be completed until the technology (and thus, de facto, the vendor) is selected. Conventional UMTA procurement regulations, which require completion of EIS and engineering prior to vendor selection, therefore block procurement of this type of system.

√ UMTA would be directed to develop guidelines for a BOT procurement process that take account of section 13(c) labor protections and other appropriate requirements of law.

√ To assist in development of the procurement guidelines, UMTA would be authorized to proceed immediately on a demonstration basis with not more than four BOT projects. Prior to the completion of appropriate BOT procurement guidelines, UMTA would be authorized to waive or grant special exemptions from existing procurement regulations.

C. Multi-year Procurement of Rolling Stock

√ UMTA would be authorized to enter into long-term agreements that permit operators to engage in multiyear procurement of rolling stock and replacement parts -- either for bus or rail fleets.

- √ Low-bid requirements would take account of life-cycle costs, as reflected in product quality and manufacturer's service record, and would apply to a total system of equipment projected out to an appropriate planning horizon.

- √ Several smaller grantees would be authorized to cooperate for joint procurement of vehicles.

- √ Grantees would be authorized to enter into longer term procurement contracts that give the grantee the option to order additional vehicles for a period of, say, 5 years. This would reduce operator costs created by the need to maintain a mixed fleet of incompatible busses or rail cars. Operators would be better able to hold manufacturers accountable for long-term performance.

- √ UMTA would also be required to institute a "buy-back" procedure that would allow a transit agency to accept a bid other than the lowest bid if the difference in cost is completely covered by non-federal funds. The operator would have to certify that this procurement is a more cost-effective way to maintain transit service than acceptance of the low-bid.

Statement of Senator Jim Sasser
Subcommittee on Housing and Urban Affairs
April 24, 1991

Thank you Chairman Cranston for holding this hearing on the reauthorization of the mass transit program. I would like to commend you for bringing together the distinguished panel of witnesses. I would also like express my appreciation to Governor Florio from New Jersey for appearing before the Committee.

The President's proposal for the reauthorization of the Urban Mass Transportation Act significantly reduces the ability of transit to maintain, let alone improve, the mass transit system. The elimination of operating assistance for areas with populations over one million could cause many systems to cut back service. In Memphis, TN, for instance, where the near one million population is being reconsidered, loss of operating assistance could mean a 30 percent reduction in service.

We should also consider that the capital needs of mass transit are long-term. I commend Chairman Cranston for attempting to deal with this important problem in his "Metropolitan Transportation Initiative." Long-term planning and secured financing will better let metropolitan areas develop a transportation strategy that they know they can implement.

Moreover, I do not believe that we can continue to place more and more burden of mass transit on state and local governments. Over the decade of the 1980s, federal mass transit funding declined by 50 percent. State and local governments made up the difference where they could, but today many areas are experiencing considerable fiscal stress. They are not in a position to continue that trend.

Reauthorization of the mass transit program presents a welcome opportunity to rethink our national priorities concerning transportation. The views of Governor Florio and the distinguished panels will be helpful to the Committee in better developing a reauthorization that realizes the needs of mass transit.

Thank you again Chairman Cranston for holding this hearing.

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